

COUNTRY COMMERCIAL GUIDE MALAYSIA
FISCAL YEAR 1999*

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<NREC>Malaysia01 Malaysia: Executive Summary <A>=Malaysia

CHAPTER I: EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Malaysia's commercial environment using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

After a decade of sustained economic growth, during which real GDP increased in excess of 8% annually, Malaysia's economy at mid-year 1998 was headed for recession. Real GDP contracted by 1.8% in the first quarter, year-on-year, the first quarterly contraction since 1985. In July 1998, the government announced that it is expecting negative 1-2% GDP growth for 1998.

Malaysia since July 1997 has been buffeted by the economic and financial downturn that erupted with the Thai financial crisis and quickly spread throughout much of Asia. Despite stronger fundamentals relative to its neighbors, growing investor concerns over excessive commercial property investment, high levels of domestic corporate debt, government-funded megaprojects, and the lack of transparent policies regarding support for troubled firms contributed to record declines in the local stock market and value of the Malaysian currency. As of mid-July 1998, shares on the Kuala Lumpur Stock Exchange were trading at 9-year lows, with the KLSE Composite Index well below 450. The ringgit has slid from RM2.5 to roughly RM4.2 against the US dollar in the span of twelve months.

While the government has taken significant preemptive measures to strengthen the financial system, Malaysia's banking sector has come under increasing stress as nonperforming loans continue to mount. Bankruptcies are on the rise, and several major Malaysian corporations, burdened with heavy debt loads, have recently sought court protection from creditors. Malaysia, nonetheless, remains intent on developing its own solutions to the economic and financial crisis, and has resisted further liberalization of its economy. The government recently announced plans to establish a corporation to relieve banks of their nonperforming loans. On the fiscal side, it announced two economic stimulus packages to increase government spending for infrastructure,

health, education, and other areas.

Despite the current turmoil, however, Malaysia remains an important trading partner for the United States. In 1997, two-way bilateral trade totaled US\$28.8 billion, with U.S. exports totaling US\$10.8 billion and imports from Malaysia totaling US\$18 billion. Malaysia was the United States' 11th-largest trading partner and its 16th-largest export market. In 1997, the United States became Malaysia's largest trading partner. The U.S. has consistently been one of the leading investors in Malaysia, with over half in the oil and gas and petrochemical sectors and the remainder primarily in manufacturing, especially semiconductors and other electronic products. Malaysian government officials appreciate the willingness of U.S. firms to transfer know-how and develop human resources programs.

There are no significant barriers to export-oriented manufacturing investment in Malaysia, although there are significant curbs on investment aimed at the domestic market. Most sectors of the economy are very open to trade, and US products have been successful in practically all of them.

The dramatic braking of economic growth and depreciation of the ringgit relative to the U.S. dollar will, however, have significant effects on U.S. export opportunities. Nonetheless, opportunities will remain strong in priority areas of development, including high technology fields, industrial automation to enhance productivity, medical products and services, education/distance learning and the environment. Of particular interest is the ongoing development of the Multimedia Super Corridor (MSC), Malaysia's effort to create Asia's version of Silicon Valley. The MSC, which has full backing of the Malaysian government, should create both export and investment opportunities for U.S. firms. Likewise, some key privatized infrastructure projects will continue to be implemented and we believe that foreign investment restrictions on privatized infrastructure will be relaxed.

Malaysia's history of sound economic policy, political stability and leadership has created economic prosperity and social harmony in the country over the past three decades. While the current economic downturn will last for longer than initially anticipated, most market analysts and economists remain positive about the long-term prospects for Malaysia, especially if the government embraces reform and corporate restructuring.

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usa.gov; <http://www.state.gov>; and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

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<NREC>Malaysia02 Malaysia: Economic Trends and Outlook
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CHAPTER II: ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

After a decade of sustained economic growth, during which real GDP increased in excess of 8% annually, Malaysia's economy at mid-year 1998 was headed for recession. Real GDP contracted by 1.8% in the first quarter, year-on-year, the first quarterly contraction since 1985. The decline was most severe in the construction sector, which contracted 10%, followed by smaller declines in manufacturing (2.4%) and agriculture (2.8%). In July, Deputy Prime Minister Anwar announced that the economy will likely contract 1-2% in 1998. In 1997, GDP increased by 7.8%, based primarily on strong (8.5%) first-half growth.

Despite its relatively stronger fundamentals, Malaysia since July 1997 has been buffeted by economic and financial problems that erupted with the Thai financial crisis, and quickly spread throughout much of Asia. Investor concerns increased after the government announced a series of measures in August and September to stanch ongoing speculative pressures against the ringgit and reverse the stock market slide. Some, such as a plan to purchase equity shares from Malaysian investors at above-market prices, were never implemented. Others, such as a the designation of stocks comprising the Kuala Lumpur Composite Index (KLCI), which required delivery of shares prior to payment, were subsequently rescinded. However, the net effect was a further erosion of confidence.

Faced with a continued rapid depreciation of the ringgit and plummeting stock prices, the GOM in October tabled a 1998 budget designed to reduce the current account deficit from 5.2% of GDP to 4% of GDP. The budget deferred several government-funded megaprojects, increased duties on heavy construction equipment and motor vehicles, and directed financial institutions to

increase transparency and strengthen prudential measures. The government implemented further belt-tightening measures in December 1997 to reduce the current account deficit from 4% to 3% of GDP and shore up battered investor confidence. The centerpiece was a 10% across-the-board cut in federal spending, plus an additional 8% in selective cuts (on top of a 2% cut announced in October).

Bank Negara Malaysia, the central bank, announced additional measures to administratively restrict credit growth, particularly to the over built property sector. It tightened provisioning for nonperforming loans (NPLs) and mandated additional disclosure requirements. The central bank also instructed financial institutions to target lending toward priority sectors including export industries, high-technology, and low-cost housing. It called on banks to reduce the growth rate in credit to 15% by year-end 1998. That rate, which had averaged 30% at the beginning of 1997, had dropped to 25.9% by year-end 1997. The GOM also announced the establishment of a National Economic Action Council (NEAC) to propose measures to help restore public and investor confidence. In June 1998, NEAC Executive Director Tun Daim Zainuddin was appointed to the cabinet as Special Functions Minister with responsibility for overcoming the current economic problems.

By year-end 1997, the Kuala Lumpur Stock Exchange Composite Index (KLCI) capitalization had declined 53% from its February 26 high of 1271.57. Over the same period, the Malaysian ringgit (RM) had nominally depreciated 56% against the U.S. dollar, from RM2.48/US\$1 to RM3.89/US\$1. The stock market and ringgit recovered some lost ground by early March, 1998, after dropping to historic lows in January. After a brief upturn, market sentiments again weakened as concerns mounted over the depth and duration of the economic downturn, the rapid braking of credit growth in the face of rising nonperforming loans, the continued weakness of the Japanese economy and yen, and regional uncertainty over developments in neighboring Indonesia. By mid-July, the KLCI was in the low-400 range, and the ringgit had slipped to RM4.18/US\$1.

The central bank reduced banks' statutory reserve requirements (SRR) from 13.5% to 10% in February 1998 in an effort to ease a severe liquidity crunch caused in part by a shift in deposits from local financial institutions to locally incorporated branches of foreign banks. It also announced it would guarantee all deposits in local financial institutions. As part of additional measures announced in March, 1998, Bank Negara indicated it would place greater reliance on interest rates as a tool of monetary policy, and took further steps to improve transparency and preemptively strengthen prudential management.

As part of long-standing efforts to encourage financial sector consolidation, it directed Malaysia's 39 finance companies to consolidate into 6 core groups, each headed by a strong anchor institution.

In an effort to lower the effective cost of borrowing, the central bank again lowered the SRR to 8%, effective July 1. The move triggered concerns that the GOM might be softening its stance on keeping interest rates firm to protect the value of the ringgit and preserve purchasing power. The Base Lending Rate (BLR), the lowest rate at which banks extend loans to their most credit-worthy customers, had increased to 12.3% in June 1998 from 9.5% in June 1997. Banks are permitted to add up to 4 percentage points to the BLR based on credit risk assessment of the borrower.

The central bank also announced plans to establish an Asset Management Corporation, somewhat akin to the Resolution Trust Corporation, to purchase problem loans from local banks at market prices and thereby encourage banks to increase lending to viable enterprises. By end-May 1998, credit growth had dropped to 12% year-on-year, well below Bank Negara's target. Overall non-performing loans increased from 6.5% of outstanding loans at year-end 1997 to 8.5% at end-May 1998, and most analysts expected NPLs could exceed 20% of outstanding loans by year-end 1998. In July 1998, the government announced plans to establish a "special purpose vehicle" to inject capital into the banking system and accelerate the development of a core group of strong domestic banks. The government projected that under a worst-case scenario the banking system could require up to RM16 billion (US\$4 billion) in order to maintain a risk-weighted capital ratio of 9%.

Also in mid-1998, the government reversed its policy of fiscal tightening and announced two economic stimulus packages, equivalent to 4% of GDP. In June, the GOM announced the allocation of RM7.03 billion (US\$1.76 billion) for social, health, and education spending. In early July, the GOM announced it would restore RM5 billion (USD1.25 billion) in previously announced spending cuts to restart selected infrastructure projects that had been deferred as part of the 1998 budget measures. Those projects include the KL Monorail and various port development, highway, water supply, waste disposal and sewerage projects. As of July 1998, the government expected to run a 1998 budget deficit of RM10 billion (US\$2.5 billion @ RM4=US\$1), or 3.7% of GNP.

Balance of Payments

Against the backdrop of rapidly shrinking domestic demand, and

increasing competition for slower growing export markets, Malaysia recorded a small (US\$149 million) trade surplus (CIF imports/FOB exports basis) in 1997, its first since 1993. Malaysia is the United States' 11th-largest trading partner and its 16th-largest export market. In 1997, the United States became Malaysia's largest trading partner. Two-way bilateral trade totaled US\$28.8 billion. U.S. exports totaled US\$10.8 billion (FOB basis) while imports from Malaysia totaled US\$18 billion (Customs basis).

Malaysia's two-way merchandise trade reached US\$152 billion in 1997, equivalent to 154% of GDP. Malaysia's trade surplus improved to RM16.2 billion (US\$4.05 billion) in the first five months of 1998. Exports were up 40.5% to RM115 billion, while imports rose 20.8% to RM98.8 billion. Electrical and electronic products accounted for 52% of total export earnings. Palm oil, which constituted 5.7% of exports, was the second-largest revenue earner. As external adjustment continues, the government projects the current account to register a surplus of RM2 billion (US\$500 million), or 1% of GNP -- the first current account surplus in 10 years. On the capital account, short-term portfolio inflows have virtually dried up, while medium and long-term flows from foreign direct investment are expected to remain positive in 1998, albeit at lower levels than in previous years.

As a measure to stem the outflow of foreign exchange, the government announced in July 1998 that foreign workers (excluding maids) will be required to contribute to the country's Employees Provident Fund. Those deposits may be withdrawn if the contributor leaves the country permanently.

Outlook

Relative to neighboring Indonesia and Thailand, Malaysia has been better equipped to weather the region's economic and financial turmoil. It has not asked for an IMF support package. At nearly 40% of GDP, Malaysia has one of the highest savings rates in the world. External debt, at 40% of GDP, is relatively moderate. Malaysia's official reserves of US\$20.4 billion at end-March 1998, were equivalent to 3.3 months of retained imports. Reserves are sufficient to cover short-term debt falling due and exposure is better hedged. The unemployment rate is still under 3% and Malaysia continues to rely heavily on foreign workers for 20% of its labor force.

However, stresses on the financial sector are mounting as over-leveraged domestic companies caught in the economic down draft find it increasingly difficult to meet commitments. Nonperforming loans are likely to exceed 20% of loan portfolios

by year-end as the impact of the economic downturn works its way through the real economy, particularly the over built commercial property sector. Malaysia's banking sector has domestic loans estimated at 152% of GDP, the highest ratio in Southeast Asia. In July 1998, the government announced the establishment of a joint public and private sector steering committee that will kick-start and expedite restructuring of corporate debt. The government is considering tax incentives to encourage creditors to participate in corporate debt restructuring and may review procedures related to foreign ownership and participation in some large corporations.

Inflationary pressures, while dampened as a result of selected price controls and reduced demand for goods and services, have nonetheless mounted. The consumer price index increased 5.4% in May 1998, year-on-year, its highest level since 1993. The government is currently forecasting an inflation rate of 7-8% for the year.

The duration of Malaysia's downturn, and the strength and timing of economic recovery will depend, among other things, on regional trends, the strength of exports, and the response of domestic consumer demand to the real income loss caused by the wealth loss due to the collapse of the equity market and depreciation-induced inflation. Other factors of crucial importance to recovery include the ability of the financial sector to cope with rising nonperforming loans, while keeping credit available to productive enterprises, the government's commitment to firm interest rates to stabilize and maintain the ringgit, improved transparency and accountability, and permitting a greater role for the market in corporate restructuring and buyouts.

Malaysia remains an attractive foreign investment destination primarily for electronics export manufacturing and the petrochemical industry. The cumulative value of U.S. private investment in Malaysia probably exceeds US\$10 billion, concentrated in oil and gas, followed by manufacturing, primarily semiconductors and other electronic products. According to USDOC statistics, U.S. investment on a historical cost basis was US\$5.6 billion in 1997. However, while other countries in the region are moving to further open their economies, the government continues to limit foreign equity ownership in most sectors to 30%, and to restrict further liberalization of the financial services sector.

Infrastructure

Malaysia boasts a well-developed transportation and communications infrastructure. However, it will have to overcome significant challenges to reach its goal of becoming a fully

developed nation by 2020. Water shortages in the past year that have resulted in costly plant shutdowns point out the critical need for better conservation and water catchment management policies. Despite the economic slowdown, bottlenecks persist in the supply of labor; shortfalls in training and technology are apparent, and bureaucratic obstacles sometimes make it difficult to obtain work visas for expatriate employees. Existing constraints to the entry and expansion of foreign financial institutions limit the offering of the most efficient, state-of-the-art financial services that, along with telecommunications, are likely to be the "bricks and mortar" of the 21st century knowledge-based, capital-intensive economies.

The government of Malaysia has recognized the importance of the "Millennium Bug," or "Y2K" problem, the inability of many computers and software to recognize the year 2000. If not remedied, the glitch could cause widespread computer failure and related consequences on January 1, 2000. Malaysia has established a "Y2K Steering Committee," led by YB Datuk Leo Moggie, the Minister of Energy, Telecommunications and Posts, as well as a "Y2K Project Team." The two groups are charged with monitoring private-sector action and coordinating publicity programs, which so far have included seminars, speeches and the establishment of a web page dedicated to the Y2K issue (www.y2k.gov.my). In addition, the government is encouraging companies to register as "Year 2000-compliant." The Kuala Lumpur Stock Exchange has mandated that all listed companies disclose their plans to address the problem. The government itself, though, has so far not disclosed any details of how the public sector will address Y2K.

Improved telecommunications and financial services infrastructure, as well as strengthened intellectual property protection are essential to Malaysia's objective of transforming its economy from labor-intensive assembly operations to knowledge-based, capital-intensive information industries. The flagship project designed to catapult Malaysia to the front ranks of technology is the Multimedia Super Corridor (MSC). The MSC encompasses a 9-by-30 mile zone extending south from Kuala Lumpur to the new international airport. Within its borders the government plans to create, with substantial private sector participation, a high-technology environment incorporating a high-capacity global telecommunications and logistics infrastructure. Liberal investment and tax policies and cyberlaws are designed to encourage electronic commerce, multimedia applications, and research and development.

The government has targeted seven flagship applications to accelerate the MSC's growth. They include electronic government, model smart schools designed to enhance information technology

literacy; telemedicine, enabling remote consultation, diagnosis and treatment; R&D clusters; a national multipurpose smart card; borderless marketing centers; and worldwide manufacturing webs designed to control, monitor, and support regional networks of design, manufacturing, and distribution.

Government Role In The Economy

The government has taken a strong pro-active role in the development and industrialization of the Malaysian economy. This has included significant state sector investment, a close alliance between government and the private business community, a steady trend of privatizing state enterprises, and a variety of policies and programs to bolster the economic status of the Malay and indigenous communities, commonly referred to as Bumiputras. Under its privatization program begun in 1986, the government plays a progressively diminishing role as a producer of goods and services, but continues to hold equity stakes (generally minority shares) in a wide range of domestic companies. These entities are rarely monopolies; instead, they are usually one (often the largest) player among several competitors in a given sector. Thus, government-owned entities are major players in some sectors, particularly plantations, financial institutions and telecommunications. Partial or full privatization efforts in recent years include the national telecommunications, electricity, shipping, airline, automobile, water distribution and waste collection/disposal firms. Seaports, some hospitals and other health care facilities are in various stages of privatization.

The dramatic braking of the economy and depreciation of the ringgit relative to the U.S. dollar will significantly affect U.S. export opportunities, particularly for agricultural products, for defense-related procurement, and for major projects and infrastructure development, where U.S. companies will face stiffer competition for a dwindling number of projects. However, some key privatized infrastructure projects will proceed and it is possible that foreign investment restrictions on privatized infrastructure will be relaxed to lure capital. Opportunities will remain strong in priority areas of development, including high technology fields related to the MSC, industrial automation to enhance productivity, medical products and services, education/distance learning and the environment.

Principal Growth Sectors/Sectoral Results

Manufacturing: The manufacturing sector recorded a 2.4% decline in the first quarter of 1998. The decline was broad-based, and affected domestic and export-oriented industries. During 1997, manufacturing grew 12.5% and accounted for 35.7% of GDP.

Principal manufactured products include semiconductors, consumer electronic and electrical products, textiles, and apparel. Malaysia is the third-largest producer after the U.S. and Japan and the world's largest exporter of semiconductors. U.S. electronics exporters account for almost 10% of Malaysia's manufactured exports.

Services: Services output increased by 2.9% in the first quarter of 1998, following 7.9% growth in 1997. Services accounted for 44.8% of GDP in 1997. Finance and insurance recorded strong gains, while utilities, transportation, and communications were affected by the slowdown in exports. The services sector recorded a net deficit of US\$8.7 billion in 1997. The government has undertaken efforts to promote Malaysia's shipping and reinsurance industries, improve and expand port and air transportation

Agriculture: Agricultural output declined by 2.8% in the first quarter of 1998, resulting from lower production of all commodities. Agriculture was the third-largest contributor to the Malaysian economy in 1997, accounting for almost 12.1% of GDP. Agriculture accounts for 10.5% of Malaysia's export earnings and employs 15% of the work force. Malaysia is the world's largest producer and exporter of palm oil, which was the principal commodity contributing to the agricultural sector's growth in 1997. After three years of strong growth in yields, a setting in of a capacity stress factor was apparent, and total palm oil output is expected to decline in 1998. Malaysia is also a significant producer of natural rubber, cocoa and tropical timber. Livestock production is expected to drop in 1998 as farmers cut production in response to a cost/price squeeze. Output of forest logs has also been scaled down in line with various state government decisions to lower production quotas over time.

Mining/Energy: Growth in the mining sector slowed to 2% in the first quarter, due to slower production growth of crude oil and condensates and the marginal decline in natural gas production. The mining sector accounted for 6.8% of 1997 GDP. Growth is expected to slow as a result of declining output of tin, copper, and crude petroleum. Although oil will continue to account for about half of Malaysia's primary energy supply through the year 2000, Malaysia's position as a net exporter of oil will likely be reversed by 2010. At current production rates, Malaysia has 12-15 years of crude oil reserves, about 4.2 billion barrels. The country's 85 trillion cubic feet of gas reserves are expected to last another 40 years. Malaysia produced an average of 629,297 barrels of oil per day and 3,846 million standard cubic feet of gas per day in 1997.

Construction/Property: Construction activity suffered a 10% decline in the first quarter of 1998, following slowdown in implementation of infrastructure and non-residential projects. Growth in the construction sector, which accounted for 4.8% of GDP in 1997, slowed from 14.2% to 10% in 1997. The rapid pace of construction in recent years has resulted in a looming oversupply of office and retail space, and luxury residential projects. Based on building construction and plans as of mid-1997, retail space was projected to grow by 150%, and office space to double by the year 2000. The stock of retail commercial space in the Klang Valley, which includes Kuala Lumpur, was 1.7 million square meters in 1997. An additional 1.4 million square meters of retail space was at various stages of construction, according to Bank Negara's Annual Report 1997.

With significant new oversupply, and lower or negative GDP growth, vacancy rates are projected to jump substantially from the 5-10% levels of late 1997, with resulting downward pressure on rents and valuations. In an effort to spur the sale of higher priced homes, the government in August 1997 removed a RM100,000 levy that had been imposed on foreigners who purchase property costing more than RM250,000.

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<NREC>Malaysia03 Malaysia: Political Environment <A>=Malaysia

CHAPTER III: POLITICAL ENVIRONMENT

The Malaysian political environment is strongly favorable to international and domestic business development. U.S.-Malaysian bilateral relations are generally close and productive, although there are differences on some issues.

Malaysia is a constitutional monarchy with a parliamentary system of government. In practice, power is strongly concentrated in the prime minister. The Prime Minister has always been head of UMNO (the United Malays National Organization), the principal party in the governing coalition that has ruled Malaysia continuously since independence from the UK in 1957. The position of monarch, the Yang Di Pertuan Agong, is rotated among the rulers of nine of the thirteen states of Malaysia. The role over time has become almost entirely ceremonial and symbolic.

Malaysia is a multi-ethnic society, with Malay, Chinese, and Indian communities. Tensions among these groups were serious in the past. Rapid economic growth over the past several decades

alleviated much of these tensions. Recent economic reversals have not led to a resurgence of ethnic hostilities.

The Asian financial crisis has led to some intemperate statements by Malaysian leaders about the foreign role in the economy. In general, however, Malaysia enjoys friendly relations with the United States and works together with the U.S. on many issues. Malaysia has contributed forces to U.N. operations in Cambodia and Bosnia. Malaysia is a member of ASEAN (the Association of Southeast Asian Nations), founded in 1967 with Indonesia, the Philippines, Singapore, Thailand, and Brunei. Vietnam, Laos, and Burma have since joined ASEAN. The U.S. has strongly supported ASEAN and participates in an annual dialogue with ASEAN members at the level of foreign ministers. ASEAN is working to create AFTA (ASEAN Free Trade Area), which, if successful, would create a single market of over 400 million people. Malaysia is also a member of APEC (Asia-Pacific Economic Cooperation), which includes the U.S., China, Japan, and most other economies of the Pacific Rim, and is chairing the group's meetings in 1998.

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<NREC>Malaysia04 Malaysia: Marketing U.S. Products and Services
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CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES

U.S. firms active in the Malaysian market range from large multinationals such as Boeing, General Electric, R.J. Reynolds and Bechtel to numerous small and medium size firms that have discovered the opportunities that exist in this growing market. U.S. exports to Malaysia move in a wide variety of sales channels depending on the product or service. For example, U.S. electronic components are purchased directly by major U.S. and other multinational companies with manufacturing facilities in Malaysia. Much of that business is intra-firm. Similarly, oil and gas production equipment is purchased directly from suppliers by a relatively few major U.S. and third-country companies and the Malaysian national oil company, Petronas.

Major U.S. exporters of computer software are present in Malaysia with offices and joint ventures. Software is also handled by a large number of retail outlets and local and international consulting companies. Capital equipment is almost always handled by in-country representation, either through locally hired firms or by the placing of a corporate representative in Malaysia. Food and other consumer goods are typically sold by U.S. export

wholesalers to Malaysian general import houses, which handle distribution to supermarkets and other outlets. U.S. fast food and other franchises (Kentucky Fried Chicken, McDonald's, Kenny Rogers, Chili's, Baskin-Robbins, TCBY, Domino's Pizza, Coffee Bean and Tea Leaf, Starbucks, etc.) involving local partners have proliferated very rapidly in recent years, reflecting life-style changes as Malaysia's per capita income rises and urbanization accelerates. U.S. firms in the retail sector include Avon, Toys R Us, Hallmark and Levi's, among others. U.S. food and other consumer goods are primarily marketed to the rapidly growing urban middle class, and as such tend to occupy the upper end of the local retail price spectrum.

Sales to the government require a local agent. Moreover, for contracts of significant size, direct involvement and visits by the U.S. company, including its senior leadership, are also typically required. Offsets and technology transfer are usually an important part of the deal. Prices on major government projects and sales tend to be negotiated, often after a bidding process has narrowed the range of potential candidate suppliers.

Major equipment sales to corporations in both the private and public sector also require local agents, usually a local presence, and the active engagement of senior corporate leadership. This has paid off, for example, in the sale by G.E. of gas turbines for one of the first independent power plants in Malaysia, and the sale by Otis elevator of more than US\$80 million worth of elevators and escalators for the twin 88-story towers of the Kuala Lumpur City Center (KLCC). It should be noted that Bumiputera (ethnic Malay) firms may be given preference in securing government contracts.

Many exporters designate an existing Malaysian-based trading company as their local sales agent, responsible for handling customs clearance of imported goods, dealing with established wholesalers and/or retailers, marketing the product directly to major corporations or the government, and handling after-sales service.

In other cases, some exporters have found it advantageous to establish their own subsidiary company in Malaysia to directly handle sales, distribution, and service. While this provides more direct control, it requires a commitment of capital and the identification of suitable local joint venture partners to establish such a company in Malaysia. The selection of a joint venture partner is perhaps the single most important decision made by a potential investor in Malaysia. The Government of Malaysia, for its part, is working to attract companies to establish offices in Malaysia, both to deal with the local market and the regional market. Because of this, there appears to be a

government preference for companies with a local presence when considering bids on major items. For example, the Multimedia Development Corporation has publicly announced that bids from firms investing in the supercorridor will receive priority consideration when the government awards major contracts associated with development of the corridor (i.e., flagship applications). Companies which are only represented from offices outside Malaysia are often at a disadvantage in such major competitions, or in establishing long-term markets with major private sector firms, especially in the architecture, construction management, and engineering sectors. In addition, a local presence usually ensures that the customer will have access to after-sales service and follow-up, very much valued by Malaysians.

A number of Malaysian and international advertising, accounting and consulting firms are present in Kuala Lumpur and can provide market survey services and advice on potential agents or partners for an interested exporter.

Advertising approaches differ depending on market sectors. Consumer goods advertising techniques include the full range of television, radio, newspaper, outdoor and other approaches. However, due to health/religious concerns, there are prohibitions on most types of advertising for tobacco and alcoholic beverages. Danish brewer Carlsberg, for example, was recently forced to pull its sponsorship of the Commonwealth Games.

Any firm intending to establish a local office should secure the services of a local attorney. As a former British colony, Malaysia's legal system is based on British common law, making it more familiar to U.S. firms than legal systems based on European continental models. The Malaysian legal system is, moreover, relatively transparent. There is a wide range of highly professional legal firms available.

Malaysia has a relatively strong intellectual property (IPR) regime which provides for a strong patent law, and a copyright law that explicitly protects computer software. The enforcement of IPR regulations in general has been adequate, and has been stepped up in recent years. In 1997, the government passed a new set of "cyber laws" designed to provide state-of-the-art protection for information technology industries. These include the Digital Signature Act, the Computer Crimes Act, the Telemedicine Act and amendments to the Copyright Act of 1987. Malaysia acceded to the Berne Convention in 1990. While trademark infringement has been a problem for some US companies, patent protection remains good. Piracy rates for videos and software remain high but have been coming down as a result of better enforcement. In 1997, statistics released by the Business

Software Alliance show that Malaysia's piracy rate stood at 70%, which compares very favorably to rates in neighboring countries. The government's commitment to the success of the Multimedia Super Corridor has led to an enhancement of its anti-piracy efforts.

Sales of equipment and materials to particular industries, e.g. electronics, depend heavily on specialized trade fairs, publications, and visits by company representatives. Sales to the government or for large-scale projects involving major equipment require extensive high level contact by local representatives and visiting company representatives. Major companies with investments in Malaysia or interest in significant export sales often also engage in continuing programs of company image building through articles and advertising in local business journals, sponsorship of conferences and other events, and participation in public-private sector consultative bodies.

Malaysia currently has four nationwide TV channels, two government (TV1 and TV2) and two private (TV3 and the recently-initiated ntv7). An additional private television station, MetroVision, operates only in the Klang Valley. Most television channels broadcast programs in the local language, Bahasa Malaysia, as well as English, Mandarin and Tamil. Astro, a direct-to-viewer satellite service, and MEGA TV, a cable network, are also available in the country.

Malaysia has a number of English language papers, the largest being the New Straits Times and the Star. The primary business-oriented paper is the Business Times, published by the New Straits Times group. The major Malay-language newspapers are Utusan Malaysia and Berita Harian, while the largest Chinese papers are Sin Chew Pit Poh and Nanyang Siang Pau. There are also Tamil and other language newspapers. There are a number of business-oriented magazines, including Malaysian Business, Malaysian Industry and the Malaysian Investor.

Several companies publish reports and gather information on the performance and health of Malaysian companies, including Rating Agency Malaysia, United Management Services and D&B Information Services. For major corporate transactions, financial advisors and lawyers can and will perform due diligence prior to purchase. Publicly-listed companies are required to publish audited financial results, which can be checked prior to entering into any business agreements. In smaller arrangements, letters of credit are a standard requirement of potential customers, while bank references and track records can be checked prior to appointing agents.

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<NREC>Malaysia05 Malaysia: Leading Sectors for U.S. Exports & Investments <A>=Malaysia

CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Non-agricultural sectors

Note: All tables in this chapter use rough exchange rates of RM2.5=US\$1 for 1996, RM2.8=US\$1 in 1997 and an estimated RM4.0=US\$1 for 1998. Some markets may be growing in ringgit terms but contracting in U.S. dollar terms due to currency devaluation.

Rank of sector: 1
Name of sector: Computer Software
ITA Industry Code:CSF

The software segment is seen as among the most promising markets for IT related products, with a forecast annual compound growth rate of 20% through the year 2000, according to IT market research firm International Data Corporation (IDC). Indeed, growth of PCs in Malaysia -- while currently stalled due to the economic crisis -- is nonetheless expected to continue, which should raise the demand for quality software. And despite the current economic slowdown, the Government remains committed to enhancing the economy by utilizing IT, especially via the Multimedia Super Corridor; hence, the software market should present opportunities in coming years.

The banking/finance, education and telecommunications sectors have made the largest expenditures on software purchases, each contributing 17% of total industry spending. Government agencies and trade distribution businesses (e.g., retail and wholesale) are also big software spenders, each representing 16.8% of total software purchases.

Computer software represents a significant and growing proportion of total IT spending in Malaysia. According to IDC, by the year 2000, 19.9% of all IT spending will come from computer software purchases, compared with 16.7 % in 1997. In addition, the GOM is continuing to place great emphasis on anti-piracy efforts. In 1997, Malaysia reduced its software piracy rate to 70% -- the largest decline in the region.

Companies are increasingly looking to IT and software to enhance efficiency, communications and customer support -- areas that are

particularly important during tough economic times.

	1996	1997	1998f
PC Growth in Malaysia (units)	328,000	436,240	320,000
Server growth (units)	157,400	230,100	330,000
IT Sales (US\$ million)	1,976	2,392	2,788

Source: International Data Corporation

Rank of sector: 2
Name of sector: Franchising
ITA Industry Code:FA

The franchise industry in Malaysia is made up of 202 franchisors and more than 1,000 franchisees, resulting in more than 2,500 outlets representing some 166 products. In recent years, the franchise industry has registered an average annual growth rate of around 10%. Franchised outlets now comprise approximately 4% of the total number of retail outlets in the country and account for approximately 5% of total retail sales.

Franchising represents an excellent opportunity to increase the number of middle class entrepreneurs. The Ministry of Entrepreneur Development has developed and implemented many programs to assist Bumiputras (ethnic Malay and other indigenous groups) in franchising. Recently, the Ministry has set up a RM100 million (US\$25 million) franchise fund to provide financial assistance to franchisors and franchisees. The fund enables franchise companies to enjoy lower interest rates on loans for the first five years of operation.

While the severe economic downturn has forced many corporations to retrench employees, the government recognizes that franchising represents a potential opportunity to get retrenched workers -- especially experienced middle managers, some of whom receive substantial pay-outs -- employed again. In fact, many consultants are incorporating franchising into the compensation plans of retrenched employees.

Furthermore, the government is encouraging the participation of large corporations in the franchise sector. Major Malaysian companies such as Johor Corporation, Berjaya and Antah Holdings have been actively involved in franchising. Recently, Malaysia Resources Corporation Berhad (MRCB) and Johor Corp developed "Franchise City" in an effort to spur franchising in Malaysia. The concept of the franchise city is a fully developed area of shopping malls specially designed for franchise business outlets. The first such city in Shah Alam, Selangor is expected to be

fully operational by mid-1998 and future developments are planned in Seberang Jaya, Penang and Johor Bahru.

Presently, there is no specific legislation in Malaysia that governs franchising. However, the Malaysian government is developing the regulatory framework for franchising which is projected to be ready before end of 1998. Under the Franchise Act, it will become mandatory for all franchise businesses to register with the Ministry of Entrepreneur Development and become members of the Malaysian Franchise Association. Currently, the franchise industry is guided by other relevant statutes.

The most promising sub-sectors are food (e.g., restaurants, home-delivery), office services and IT services.

	US Dollars (Millions)		
	1996	1997	1998f
a. Total franchise sales	671	804	632
b. Sales by local firms	67	96	76
c. Sales by foreign-owned firms	604	707	557
d. Sales by U.S. firms	420	493	390
e. Total number of outlets	2,300	2,500	2,750
f. Exchange Rate	2.5	2.8	4.0

Source: Estimates derived from information obtained from Malaysian Franchise Association, Ministry of Entrepreneur Development, Malaysia Franchise Conference '97 and Malaysia Franchise Directory. Sales figures do not include EON motors, which has in the past been responsible for over US\$1 billion and covers more than 250 outlets.

Rank of sector: 3
Name of sector: Industrial Process Control (Oil and Gas/Petrochemical)
ITA Industry Code:PCI

Despite the economic slowdown and often-confusing policy directives from the Government, certain sectors of the Malaysian economy are continuing to attract foreign direct investment. During the first four months of 1998, the Ministry of International Trade and Investment (MITI) approved 296 manufacturing projects worth approximately US\$3.12 billion and received an additional 212 applications -- not yet approved -- worth about US\$1 billion.

Much of this investment will be geared toward the country's oil and gas sector, which is expected to attract about \$14 billion

over the next three years -- 31% of which will come in the form of FDI. In fact, in 1998 alone, a record RM15 billion (about US\$3.75 billion) has been earmarked for upstream and downstream activities. Indeed, a host of multinational firms, including Union Carbide and BASF, are slated to build large petrochemical plants in Malaysia, while other companies, such as Amareda Hess and Santa Fe, are entering the exploration and production market.

Given this large-scale investment in the oil and gas/petrochemical sector, it is anticipated that the market for such items as industrial process controls will continue to be robust. Furthermore, much of this equipment will need to be imported from the United States and elsewhere. The most promising avenues include petrochemical and chemical plants, and oil and gas production/processing facilities.

	US Dollars (Millions)		
	1996	1997	1998f
a. Total Market Size	271	288	238
b. Total Local Production	45	50	48
c. Total Exports	24	23	18
d. Total Imports	250	260	208
e. Imports from the U.S.	63	58	46
f. Exchange Rate	2.5	2.8	4.0

Source: MATRADE and U.S. Embassy Estimates.

Rank of sector: 4
 Name of sector: Pollution Control Equipment
 ITA Industry Code: POL

Environmental problems continue to affect Malaysia, most notably the smoke haze of late-1997 and the ongoing water shortage in the Klang Valley. The government has over the past two years adopted several amendments aimed at strengthening the regulatory framework for environmental protection. As part of this process, the GOM is revising and strengthening the country's emissions and effluent standards.

To be sure, the current economic crisis will strain Malaysia's ability to shell out money and resources on environmental initiatives. Nonetheless, the market for environmental goods in Malaysia stood at US\$720 million in 1997. And according to a 1997 survey conducted by the Asian Environmental Business Journal (AEBJ), Malaysia's market will expand at an annual rate of between 15-20% through the year 2000. Among the most important sub-sectors include industrial wastewater treatment and recycling equipment, air pollution monitoring and control equipment,

hazardous and medical treatment/disposal, mini incinerators for industrial solid waste and municipal sewage treatment plants. In addition, there remains a demand for environmental engineering and auditing services given that there will still be a number of projects that require Environmental Impact Assessment (EIA) reports and the increase in self-regulation activities spurred by ISO 14000 certification.

The environmental equipment market relies heavily on new plant investments, as well as retrofits and upgrades to existing plants, for sales growth. In this respect, Malaysia's new investments in information technology and the petrochemical sector should present opportunities. For example, infrastructure development of the Multimedia Super Corridor and multi-billion dollar petrochemical projects announced by companies such as Union Carbide, Titan and BASF, should create a demand for industrial wastewater treatment facilities and components. According to U.S. Department of Commerce statistics, U.S. exports to Malaysia of water filtering or purifying machinery and apparatus reached US\$19.7 million in 1997.

Privatization, which has propelled growth in Malaysia's environmental market in the past, is also likely to present opportunities in the future. In 1995, the GOM awarded Alam Sekitar Malaysia Sdn Bhd (ASMA) with a 20-year privatization concession to install, operate and maintain a network of 50 continuous air quality monitoring stations (and 10 water stations) throughout Malaysia for the Department of Environment. To date, a total of 39 stations have been installed. The privatization of solid waste disposal and distribution activities, which resulted in 20-year concessions for four major consortiums, is also likely to present commercial opportunities.

Although US environmental companies are highly respected for their advanced technologies and experience, they often encounter tough competition from their British, German, Danish, French, and Japanese counterparts. The Malaysian business community places a high priority on cost effectiveness and technological support. US companies and products which address those selling criteria are very well received. Additionally, the GOM encourages projects which are collaborative between foreign and domestic partners, especially those which will provide Malaysia with long term technology transfer.

	US Dollars (Millions)		
	1996	1997	1998f
Total Exports	11	13	11
Total Imports	212	207	160

Total Imports from U.S.	48	50	41
Exchange Rate	2.5	2.8	4.0

Market figures were available only for environmental analyzing and monitoring instruments, filters, air pollution control equipment and wastewater pumps (Malaysian Department of Statistics).

Rank of sector: 5
 Name of sector: Medical Equipment/Health Care
 ITA Industry Code:MED

Healthcare services provided by the Malaysian government are comprehensive in nature and heavily subsidized. In 1997, it was reported that the combined operating and development budget for healthcare was RM3.45 billion (almost US\$900 million). Health care "coverage" (defined as the availability of health facilities within five miles) has reached 95% of the population in Peninsular Malaysia and 70% of the population in Sabah and Sarawak.

Most medical equipment is imported. In 1996, RM216 million (US\$54 million at current rate) was spent on medical equipment procurement. While most imported medical equipment is now more expensive, due to the depreciation of the local currency, the level of health care services still needs to be upgraded to satisfy the demands of an increasingly affluent and health-conscious population.

Certain high-tech medical equipment used in government hospitals and institutions are subject to stringent evaluation by the Ministry of Health's Health Technology Assessment Unit before purchase. However, the government is proposing legislation which seeks to regulate all medical devices to meet international standards by 1999. Accredited laboratories will be appointed to ensure the medical devices fulfill certain requirements and conduct tests as needed to issue "certificates of fitness" for medical devices. The regulatory controls are meant to protect Malaysia from the dumping of defective medical devices from abroad.

As part of the country's Seventh Malaysia Plan, there are plans to build 26 new government hospitals. The private sector is also planning to build many new facilities as soon as the economy recovers. Currently, there are about 35,000 beds in the government hospitals, while the private sector provides almost 8,000 hospital and nursing care beds, plus another 5,000 in general and specialist clinics. At present there are almost 200 private hospitals in Malaysia. In recent years, aggressive players in the industry have been public-listed corporations,

most notably Kumpulan Perubatan Johor (KPJ), which has a chain of 10 hospitals in Malaysia and two in Indonesia. Other companies involved in healthcare services include: Tongkah Holdings Berhad, Sime Darby Group, Gleneagles, Lion Group and Southern Group.

Malaysia is also incorporating information technology into the practice of medicine. In this respect, the government intends to introduce "paperless and filmless" hospitals in the near future, resulting in maximized benefits to patients. Selayang Hospital, currently being built, is to be the first medical center in Malaysia to operate in a paperless environment, and is scheduled for completion by end 1998.

Another area of future growth is telemedicine. Indeed, telemedicine has been identified as one of the flagship applications of the Multimedia Super Corridor (MSC). Telemedicine will be used to allow Malaysian practitioners to consult with colleagues and patients in remote areas, enabling them to provide remote consultation diagnosis and treatment. Plans for electronic medical records and "smart cards" are also currently in-the-works. IT-related and healthcare-related products and services will be in demand as the effort to promote telemedicine progresses. For example, IT and medical professionals will need to create content, develop network architecture and determine end-user applications. Specific products applicable to telemedicine include various types of cameras, computer software, diagnostic imaging technology, graphics equipment, image processing products, security systems and virtual reality products, among others.

	US Dollars (Millions)		
	1996	1997	1998f
Total Imports*:	176.2	183.3	147.5
Imports from the U.S.**:	37.0	66.2	53.2
Exchange Rate:	2.5	2.8	4.0

Sources: * Malaysian Department of Statistics (comprises electro-diagnostic apparatus for medical, surgical, dental/veterinary science & radiological equipment, and medical instruments and appliances); **U.S. Department of Commerce figures for medical devices; U.S. Embassy estimates for 1998 based on previous growth rates.

Rank of sector:6

Name of sector:Management Consulting Services (Finance)

ITA Industry Code:MCS

The current economic crisis, which has been characterized by corporations burdened with high debt, weakened financial

institutions and a lack of liquidity, has created opportunities for consultants with expertise in finance and restructuring.

In the short term, it is anticipated that consultant assistance will be needed in the restructuring of debts and the development of strategic alliances, (e.g., joint-ventures, mergers, acquisitions and other consolidations). The onset of such transactions will also call for tax and accounting advice, strategic due diligence services, corporate governance resolution and so-called post-merger integration (or PMI) services, which aim to effectively blend corporate cultures.

The prospect of consolidations and mergers, especially among financial institutions, will also likely result in IT systems integration. Indeed, as more and more financial transactions are taking place electronically, demand is expected to increase for customized services such as Internet banking, bank-by-phone services and point-of-sale transactions.

Further opportunities potentially lie in assisting companies separate and sell-off non-performing loans and maximize values of distressed properties. Consultants with a combination of experience in Southeast Asia and with bankruptcies are apt to be in high demand.

In the longer-term, provided continued liberalization of the Malaysian financial sector, technical expertise in the management of institutional foreign funds will be of interest.

Rank of sector: 7

Name of sector: Education/Distance Learning/Smart Schools

ITA Industry Code:EDS

U.S. higher education is a service that has been highly sought after by Malaysians. U.S. universities consistently have constituted one of the major destinations for Malaysian students. U.S. universities have educated nearly 100,000 Malaysians, many of whom have returned to their country and have become valued citizens in positions important to Malaysia's economic and social health. As the Malaysian government seeks to retool its economy for a high-tech, information-rich profile, American education in science and technology will be increasingly important to the country's success.

Given the significant depreciation of the local currency against the U.S. dollar, however, the ability of Malaysian students to afford education in the United States has been seriously compromised. As a result, more of an effort is being made to bring U.S. education "closer to home" and to reduce the amount of time Malaysians need to spend abroad for their studies. In this

respect, Malaysian institutions are increasingly seeking partnerships with U.S. and other foreign universities and looking to rely on concepts such "distance learning" to satisfy the demand for quality education.

For example, Malaysia's private colleges have started offering the "3+0" programs, whereby foreign degree courses are conducted entirely in Malaysia. This is a variation of the so-called twinning program through which students can complete the first two years of a four-year college degree in Malaysia and finish the final two years in the U.S. (i.e., "2+2"). The Ministry of Education has approved ten private colleges offering such "3+0" programs. While all of the foreign partners of these programs are currently from the United Kingdom and Australia, the potential for U.S. universities to set-up branch campuses and/or partner with Malaysian institutions certainly exists.

Furthermore, with the implementation of the Multimedia Super Corridor and the increasing focus on the use of information technology, opportunities exist for degree programs -- including MBA and medical programs -- able to employ means such as teleconferencing, video-conferencing and Internet applications. New universities such as the Multimedia University, being developed by Telekom Malaysia, are looking for foreign expertise in the development of operational infrastructure and curriculum. Several companies are also setting-up their own virtual universities/networks. Unitar will be Malaysia's first virtual university with a projected initial investment of RM350 million (US\$87.5 million).

Finally, at the primary and secondary levels, Malaysia's government is developing "smart schools" in an effort to further propel the country's knowledge in information technology. The development of such smart schools, in fact, represents one of the seven flagship applications of the MSC. The government has recently conducted best practices studies and continues to look for foreign partners with the ability to help design the internal systems and curriculum at these schools.

An important information center in Malaysia for students considering attending U.S. institutions is the Malaysian-American Council for Economic Exchange (MACEE). The binational commission administers the Fulbright Program, as well as provides student advising service and administers several local scholarship programs.

Agricultural Sectors

Name of Sector: Fresh Fruits (apples/oranges/grapes)

ITA or PSD Code: N/A

The country's current economic downturn and the steep depreciation of the Malaysian ringgit vis-a-vis the U.S. dollar have taken a toll on imports of high value products including fresh fruits. However, sales of U.S. apples, oranges and grapes, though declining in the immediate future because of the exchange rate, still offer good export prospects because these fruits are not grown locally and are preferred by Malaysian consumers because of their high quality.

U.S. Dollars (Million)

	1996	1997	1998
a. Total market size	72.9	67.9	37.3
b. Total local production	0	0	0
c. Total exports	0	0	0
d. Total imports	72.9	67.9	37.3
e. Imports from the U.S.	34.2	32.7	18.0

Source: Malaysian Department of Statistics and Foreign Agricultural Attache estimates.

Name of sector: Cotton

ITA or PS&D Code: 2631000

The Malaysian cotton import outlook for 1998 is good as spinners increased capacity. The weaker Malaysian ringgit against the U.S. dollar and the social upheaval in neighboring Indonesia influenced overseas textile importers to place more orders with Malaysian textile manufacturers. Imports of U.S. cotton are expected to double to 8,000 metric tons, about 8% of the total Malaysian cotton import market in 1998.

	1996	1997	1998
	(1000 Metric Tons)		
a. Total market size	82	80	95
b. Total local production	0	0	0
c. Total exports	0	0	0
d. Total imports	82	81	97
e. Total imports from U.S.	8	4	8

Source: Malaysian Department of Statistics and Foreign Agricultural Attache estimates.

Significant Investment Opportunities

Multimedia Super Corridor (MSC)

Malaysia's most ambitious project to date is the development of the Multimedia Super Corridor (MSC). Unveiled by the government in August 1996, the MSC encompasses a 15 by 40 kilometer area, stretching from the Kuala Lumpur City Center to the new Kuala Lumpur International Airport, and aims to become Asia's version of Silicon Valley. It encompasses Putrajaya, the future home of the entire federal government, and Cyberjaya, a new information-age industrial and residential city. Projected to run well over US\$40 billion, the MSC is to include telesuburbs, technology parks, advanced telemedicine facilities and a multimedia university.

Anecdotal evidence and news reports indicate that while progress on the MSC has been hampered somewhat by the economic downturn, the project is nonetheless moving forward. It has the full backing and commitment of the Malaysian government, which in July of 1998 pledged RM600 million (US\$150 million) toward financing the MSC's development, despite a curb in overall government spending. As such, the MSC remains one of the few potential areas of promise -- especially in the medium to long-term -- for both U.S. investment and exports amidst the turmoil.

According to a November 1997 report by the Office of Computers and Business Equipment at the U.S. Department of Commerce, Putrajaya's needs for advanced video, highspeed networking equipment, and Internet and Intranet software and applications could yield as much as US\$800 million for U.S. IT firms. Other products and services the MSC will require include: niche component manufacturing, such as imaging smart cards and video computing; manufacture of wafers; high technology packaging; component manufacturing; custom designed semiconductor chips; design and manufacture of multimedia components; electronic publishing; cinema production and animation services; multimedia communication software; and intelligent information kiosks.

The MSC also offers attractive benefits to companies looking to relocate and operate there. However, U.S. firms considering such a move must qualify for "MSC Status," which requires that a company must either provide or heavily use multimedia products or services, employ knowledge workers and contribute to the development of the MSC and the Malaysian economy. MSC Status benefits include:

- a five year exemption from Malaysian income tax, renewable to 10 years, or a 100% investment tax allowance on new investments made in cyber-cities;
- duty-free importation of multimedia and training equipment;
- R&D grants of up to RM100 million (US\$25 million) for Malaysian

companies;

- unrestricted employment of foreign "knowledge" workers;

- freedom of ownership (i.e., no equity restrictions, which exist for other foreign corporations operating in Malaysia); and

- freedom to source capital globally for MSC infrastructure and the right to borrow funds globally.

By mid-1998, more than 130 companies had been granted MSC Status, with U.S. companies -- including names such as Sun Microsystems, Oracle, and Intel -- accounting for roughly 10%. The Multimedia Development Corporation (MDC), a privatized corporation entrusted with running and developing the MSC, decides which companies are granted MSC Status.

The flagship applications of the MSC are electronic government, smart schools, telemedicine, multi-purpose smart card development, borderless marketing, an R&D cluster for developing software and next-generation multimedia technologies, and a multimedia-based world-wide manufacturing web that will serve as a support hub for firms in high cost countries to access lower-cost facilities throughout the region. Firms committed to investing in the MSC will receive priority consideration in the bidding of these projects.

With respect to Electronic Commerce, the MSC touts itself as a place where companies will find a conducive regulatory environment through a "comprehensive framework of Cyberlaws, led by the Digital Signature Act." Other advantages include a high bandwidth telecommunications network and an over-the-counter stock market, MESDAQ, that can provide funding for small companies.

The Government of the United States acknowledges the contribution that outward foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. investors.

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CHAPTER VI: TRADE REGULATIONS AND STANDARDS

The Ministry of International Trade and Industry (MITI) is primarily responsible, within the Government of Malaysia, for the formulation and implementation of trade regulations and policies. Information about licensing and tariffs is available from the Customs Department.

The Government of Malaysia operates a system of import licensing. Import permits are required for a number of items, including arms and explosives; motor vehicles; certain drugs and chemicals; plants; soil; tin ore, slag or concentrates; and various essential foodstuffs. Prohibited imports include multi-color copying machines, any "indecent or obscene" articles and certain poisonous chemicals. Malaysia follows the Harmonized Tariff System (HTS) for the classification of goods.

Due to the recent economic downturn, the government has added to the number of goods requiring permits, for example, heavy construction equipment and certain electrical household goods. Also recently, the Ministry of Domestic and Consumer Affairs, which has oversight over retail and direct selling companies, announced that foreign direct sellers would be required to increase the local content of their products and that no new direct selling licenses would be issued to foreign firms. No new laws or regulations have yet been promulgated from this announcement, however.

All imported beef and poultry products must originate from facilities which have been approved by Malaysian authorities as "halal", or acceptable for consumption by Muslims.

Raw materials used directly for the manufacture of goods for export are exempted from import duties if such materials are not produced locally or if the local materials are not of acceptable quality and price. This provision, for example, applies to the very large Malaysian imports of semi-conductor components for the fabrication of completed semi-conductors for export. Exemptions from duties are also available for machinery and equipment used directly in the manufacturing process or not available locally.

Import duties range from nil to 300 per cent, with the trade-weighted average tariff being 8.1% in 1997. The higher rates apply to luxury goods, including completely built-up automobiles. There are also high tariffs on leaf tobacco, cigarette products

and alcoholic beverages. In December 1993 and April 1994 protective tariffs (five year duration) were imposed on imports of plastics, resins, and kraftpaper. Imports of chicken parts are regulated through licensing and sanitary controls. The sole authorized rice importer is a government corporation with the responsibility of ensuring purchase of the domestic crop and wide powers to determine imports. In addition to import duties, a sales tax of 10% is levied on most imported goods. Like import duties, however, this sales tax is not applied to raw materials and machinery used in export production.

All imported consumer goods are required to be labeled to identify the importing agent. This is typically accomplished by affixing a label after goods have cleared customs. Prepacked drugs must be labeled in English or Bahasa Malaysia indicating the substance and its components. Food labels must indicate the use of additives and shelf life.

Quantitative import restrictions are seldom imposed except on a limited range of products for protection of local industries or for reasons of security. Recently, for example, a system of quantitative licenses has been instituted for the import of certain plastic resins, for the purpose of protecting a domestic petrochemical operation.

Malaysia also has a system of export licensing. In some cases, such as textiles, the system of export licenses is used to ensure compliance with bilateral export restraint agreements. In some other cases, such as rubber exports, special permission from government agencies is required. Export duties are imposed on the principal commodities: petroleum, timber, rubber, pepper, palm oil, and tin. In the case of petroleum this is a flat rate of 25%. In the case of other commodities, it is calculated on the basis of a threshold price, and no duty is charged if the price falls below the given threshold. The government has recently revised export levies for timber-based products -- removing them entirely for some species -- to encourage and spur exports in light of the economic downturn. Rubberwood, however, is subject to an export quota. Malaysia introduced a "cess" in 1990 to assist in the management of logged-over forests. Funds raised from the Forest Development Cess will be used to implement a program designed to achieve the international tropical timber organization guidelines that all timber must come from sustainably managed forests by the year 2000. The state of Sabah, however, does not impose a cess and does not impose levies.

Malaysia has Free Zones (FZs) in which export-oriented manufacturing and warehousing facilities may be established. Raw material, products and equipment may be imported duty free into

these zones with minimum customs formalities. Companies which export not less than 80% of their output and depend on imported goods, raw materials and components may be located in these FZs. Goods sold into the Malaysian economy by companies within the FZs must pay import duties. In addition to the FZs, Malaysia permits the establishment of licensed manufacturing warehouses, which give companies greater freedom of location while enjoying privileges similar to operating in a FZ.

In an effort to divert shipping to Malaysian ports, the GOM has designated Port Klang as a "free port." The free port status is aimed at promoting trans-shipment trade, diverting and redistributing shipping traffic from neighboring ports to Port Klang. Other Malaysian ports, namely those on the east coast, are also to be given so-called "free port" status. Recently, Transport Minister Datuk Seri Dr. Ling Liong Sik has stated that the government is studying a proposal to make it mandatory for local exporters to use Port Klang.

Malaysia is a member of the ASEAN Free Trade Area (AFTA), which aims to reduce trade barriers between the member countries (Malaysia, Indonesia, Singapore, Thailand, the Philippines, Brunei, Vietnam, Laos and Myanmar) over a fifteen year period. Progress to date, has been relatively slow, though the target date for completing AFTA has been advanced to 2003.

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<NREC>Malaysia07 Malaysia: Investment Climate <A>=Malaysia

CHAPTER VII: INVESTMENT CLIMATE

Openness to foreign investment

The Malaysian government encourages direct foreign investment particularly in export-oriented manufacturing and high-tech industries, but retains considerable discretionary authority over individual investments. Especially in the case of investments aimed at the domestic market, it has used this authority to restrict foreign equity and to require foreign firms to enter into joint ventures with local partners.

Currently Malaysia is actively wooing foreign investments in the multimedia and information technology industries to facilitate the establishment of the Multimedia Super Corridor project. However, it does not actively seek foreign investment in service industries or foreign participation in agriculture or

construction. Investment is also restricted in the oil and gas industry.

Proposals for a manufacturing license, either foreign or local, are screened by the Malaysian Industrial Development Authority (MIDA) to determine whether they are consistent with the Second Industrial Master Plan (1996-2005) and government strategic and social policies. Applications for investment in other sectors would be handled by relevant regulators. For example, a re-insurance firm requires the approval of Bank Negara Malaysia (the central bank).

Investment regulations are specified in the Promotion of Investments Act 1986 and the Industrial Coordination Act 1975. On acquisitions, mergers and takeovers, the Securities Commission and the Foreign Investment Committee implement the regulations specified in the Malaysian Code on Take-overs and Mergers. The Foreign Investment Committee also formulates policy guidelines for foreign participation in the non-manufacturing sector.

General policy limits foreign equity to a minority 30% share, but 100% foreign ownership in manufacturing is permitted in certain instances for export-oriented industries (see Appendix A at the end of this chapter). Foreign companies which are granted Multimedia Super Corridor (MSC) status are also permitted 100% ownership. Malaysia also promotes the holding of economic assets by Bumiputera (ethnic Malays) and usually requires foreign and domestic firms to take on Bumiputera partners (usually 30%) and to have a workforce which reflects Malaysia's ethnic composition. Appendix E provides a definition of Bumiputera firms. Malaysia offers a number of fiscal incentives to foreign manufacturing investors (Appendix B), which may be linked to performance requirements. Incentives are also offered to foreign companies with MSC status (Appendix C).

Approval depends on the size of the investment, percent of local equity participation, the type of financing (both local and offshore) required, capital/labor ratio, the ability of existing and planned infrastructure to support the effort, and the existence of a local or a foreign market for the output. The criteria are applied in a non-discriminatory manner, except in the rare instance when a local and a foreign firm propose identical projects.

Foreign direct investors established in Malaysia are generally accorded national treatment in all but equity limits. Foreign portfolio investors are permitted to trade freely in both equity and debt on the local exchanges and to purchase available stock in newly privatized firms during an initial public offering. An exception is made for commercial banks, though, where foreign

equity is limited to 30% in aggregate. For virtually all publicly listed companies, only a minority portion of stock is available for trading; the majority is often held by the principal shareholders. Malaysia has a robust privatization program and foreign participation is generally welcome at all stages. Foreign firms are able to participate in government-financed research and development programs.

Right to ownership and establishment

Generally, a foreign partner is allowed to hold a maximum 30% stake in Malaysian companies. Foreign ownership in local fund management companies was raised to 70% for companies working with both local and foreign clients and dealing with both institutional and unit trust funds. Foreign ownership in stockbroking companies has been allowed to reach as high as 49%. Malaysia has temporarily eased equity restrictions on foreign ownership of licensed telecommunications companies. Under new measures announced in May 1998, foreigners may own up to a maximum of 61% equity in telecommunications companies, but must through divestiture or dilution of shares not exceed 49% after five years.

As part of Malaysia's WTO financial services offer, the government committed to allow existing foreign shareholders of locally incorporated insurance companies to increase their shareholding to 51%, once the WTO financial services offer goes into effect in 1999. In May 1998, Malaysia's Prime Minister announced that a large U.S. insurance company would receive a five-year grace period beyond the original deadline of June 30, 1998, to divest down from 100% foreign ownership to 51%. The Prime Minister also indicated that other foreign majority owned insurance companies would have the same leeway. Bank Negara Malaysia, the insurance regulator, has not, however, issued written guidelines subsequent to the Prime Minister's statement. Under the Insurance Act of 1996, foreign insurance subsidiaries were also required to locally incorporate their operations by June 30, 1998. Post understands that the GOM may consider requests for extensions of this deadline.

In addition to the standard 30% cap on foreign equity, certain financial industries have additional barriers to entry. For example, the Government severely restricts establishment in the financial service industry. No new banking, stockbroking or insurance licenses, except for re-insurance firms, are being issued. Foreign firms wishing to enter this market may purchase equity in existing firms.

Foreign ownership in local television is strictly forbidden, and 60% of television programming must originate from local companies

owned by ethnic Malays. Sixty percent of radio programming must be of local origin. Ownership of agricultural land is restricted to Malaysian citizens. Under the terms of the Petroleum Development Act of 1974, the upstream oil and gas industry is the province of the parastatal Petroleum Nasional Berhad (Petronas), which is the sole entity with legal title to Malaysian crude oil and gas deposits.

Over time, a number of foreign firms selling their products and services into the domestic market have received licenses with limited-term exemptions to the standard limit of 30% foreign equity. As these exemptions expire or the licenses come up for renewal, government agencies require foreign firms to demonstrate substantial progress towards meeting the foreign equity limits. A restructuring program may involve taking on new local partners, giving existing local partners a greater equity share or floating shares on the Kuala Lumpur Stock Exchange. In the end, the principal foreign partner is expected to have no more than 30% of the business.

Private entities, both foreign or domestic, have a right to acquire, merge and take over business enterprises according to the Foreign Investment Committee (FIC) Guidelines of 1974. However, the acquisition or disposal of five percent or more of interests in any local financial institution requires the prior approval of the Minister of Finance.

Protection of property rights

Malaysia has an effective legal system and adequate legislation to protect private property. Foreigners are permitted to purchase and secure mortgages from financial institutions for property, chattel and real estate in Malaysia, with the exception of agricultural land and residential properties valued less than RM250,000 (US\$62,500). However, certain equity restrictions apply in the purchase of commercial property.

Malaysia has a strong regime for protecting Intellectual Property Rights (IPR). IPR are covered by the Trade Description Act of 1972, the Patent Act of 1983, the Copyright Act of 1987 and the Industrial Designs Act of 1996. In May 1997, four new pieces of legislation passed the lower house of Parliament which extend IPR protection especially to new cyberspace applications. The laws cover computer crimes, digital signature, telemedicine, and include a revision of the Copyright Act. In addition, Malaysia has acceded to both the Berne and Paris Conventions, and is a member of the World Intellectual Property Organization.

Police and legal authorities are generally responsive to requests from U.S. firms for investigation and prosecution of copyright

infringement cases. Nevertheless, pirated videotapes, video compact discs and computer software are often sold openly in small stores and street markets. A new and growing source of concern is the establishment of a number of plants reportedly manufacturing pirated CD's (audio and visual) and CD-ROMs in Malaysia. The Malaysian government is aware of the problems and has expressed its determination to move against illegal operations.

Patents registered in Malaysia generally have a 15-year duration, but this can be extended under certain circumstances. Although the processing time for trademark registration may be as long as 18 months, infringement has not been a problem. Copyright protection extends to computer software, and lasts for 50 years. The Copyright Act includes enforcement provisions allowing Government officials to enter and search premises suspected of infringement, and to seize infringing copies and reproduction equipment. Malaysia has stepped up action against both software and video pirates in 1997.

Malaysia's revised Copyright Act includes provisions implementing the WTO TRIPS agreement.

Major taxation issues affecting U.S. business

A company is a tax resident in Malaysia if its management and control is exercised in Malaysia. Management and control is normally considered to be exercised at the place where the directors meetings are held. Resident companies pay an income tax of 28% on all income. Payments made to non-residents in respect of technical or management services and rental of movable properties are subject to withholding tax at the rate of 10%.

Tax is normally collected within 30 days after the issuance of a notice of assessment by the tax authorities. However, companies are required under the compulsory tax payment scheme to pay tax in bi-monthly installments for each assessment year commencing from the month of January or February based on an estimate of tax payable. Tax on royalties, rental of movable properties, technical or management service fees and interest received by non-resident companies are collected by means of withholding tax. The withholding tax is payable within one month of crediting or paying the non-resident company, whichever is earlier.

Performance requirements and incentives

Fiscal incentives, granted to both foreign and domestic investors, are subject to performance requirements, usually in the form of export targets, local content requirements, and technology transfer. Performance requirements are often written

into the manufacturing license of both local and foreign investors. If a firm (foreign or domestic) fails to meet the terms of its license, it risks losing any tax benefits it may have been awarded. In extreme cases, the firm could lose its manufacturing license. The Government has stated that, over the long term, it intends to eliminate gradually most of the fiscal incentives now offered to foreign and domestic manufacturing investors.

Appendix A describes the conditions of foreign equity structure and Appendix B the investment incentives in the manufacturing industry. Appendix C lists the incentives for the MSC.

Transparency of the regulatory system: laws and procedures

Malaysia has an open system of Government economic and business regulation. For tax purposes, local and foreign enterprises are treated on essentially the same footing. The corporate tax rate is 28%, except in petroleum production which is taxed at 40%.

The Malaysian Government restricts the number of expatriate personnel employed by foreign and domestic firms (Appendix D). In addition, the Government monitors hiring practices to ensure that all employers strive to meet guidelines designed to ensure a racial balance in employment. Foreign firms complain the procedures for work permits are time consuming and burdensome. Due to the acute shortage of professionals, scientists and academicians, Malaysia has made some progress in simplifying the approval process of work permits for these categories of foreign workers. From May 1, 1997, the new procedure allows the relevant Ministries to approve the work permits of the foreign professionals, and then forward them to the Immigration Department for issuance of the required documents.

Corruption

Malaysia reacts quickly to allegations of corruption. The Malaysian Government has set up the Anti-Corruption Agency (ACA) to combat corruption by officials. In June 1997, the Government directed senior state-level officials to declare their assets to the ACA upon taking office. Foreign businessmen are asked to report any individuals who ask for payment in return for government services. A 1997 survey by Transparency International, a nonprofit organization, ranked Malaysia ahead of countries such as South Korea, Thailand, China, the Philippines and Indonesia, but behind others such as Singapore, Japan, Hong Kong and Taiwan. ACA probes are reported in the newspapers. There is no evidence to suggest widespread corruption, although news reports and anecdotes indicate that corrupt practices exist. Malaysia considers bribery a criminal act and does not permit

bribes to be deducted from taxes.

Labor

The Malaysian economy at end-of-1997 was technically at full employment at 2.7%, virtually unchanged from 2.5% in 1996, however, the GOM's forecast for unemployment at the end of 1998 is 3.5%. The recent economic downturn has led to notable retrenchments, particularly in the manufacturing sector, and generally speaking local and foreign firms are having less difficulty obtaining and retaining workers at all skill levels. In August 1997, the government -- in apprehension of rising unemployment -- announced that it would no longer issue work permits to foreign unskilled workers and would no longer renew work permits for those foreigners whose contracts had expired. However, this policy has recently been relaxed.

In recent years wage rates have climbed faster than productivity rates and the government, in an effort to compete with neighbors for foreign investment, has urged manufacturers to increase productivity and efficiency. The National Labor Advisory Council, a tripartite forum, has introduced a set of guidelines on a productivity linked wage system to facilitate the negotiations of collective wage agreements. Malaysia no longer seeks labor-intensive industries and reserves its fiscal incentives for high value-added projects. It encourages labor intensive industries to move offshore.

Malaysia is a member of the ILO. Labor relations in Malaysia are generally good, and Malaysian labor unions, which account for less than 10% of the workforce, act responsibly. The Government discourages strikes through a system of controls which promote settlement through negotiation or arbitration by the Industrial Court. Once a case is referred to the Industrial Court, the union and management are barred from further industrial action.

There are a number of national unions, but the Malaysian Government prohibits the formation of a national union in the electronics industry, a major employer, although it does allow for in-house unions in the electronics industry. Employers and employees share the costs of the Social Security Organization (SOSCO), which covers 7.9 million workers as of June 1997. No welfare programs or government unemployment compensation benefits exist; however, the Employee Provident Fund (EPF) provides retirement benefits for most workers.

Efficiency of capital markets and portfolio investment

Broadening and deepening the domestic capital market are major

Malaysian Government priorities. To foster development, monetary authorities grant local and foreign private firms liberal access to a variety of credit instruments. Credit is, in general, allocated on market terms. One exception is a requirement that local and foreign banks loan a small portion of their funds at a specified rate of interest (currently nine percent) to Malaysian citizens purchasing low-cost housing.

Foreign investors have access to credit on the local capital market, but are required to source at least 60% of local borrowings from a domestic bank. Central Bank permission is required for ringgit financing over RM10 million (US\$2.5 million). Foreign stockbroking firms and foreign correspondent banks are limited to an aggregate maximum of RM5 million (US\$1.25 million) in ringgit credit facilities from Malaysian banking institutions to fund the mismatch of receipts and payments through their external accounts.

Malaysia imposes no restrictions on foreign portfolio investment. The Malaysian Government has an adequate regulatory system to facilitate portfolio investment. International concern has arisen recently towards Malaysia's financial and accounting transparency. A Central Depository System for stocks and bonds began in 1991 and will make physical possession of certificates unnecessary.

The domestic banking system has come under increasing stress as a result of the current regional economic crisis. As of December 1997, the commercial banks held assets totaling US\$ 171 billion. The assets of the top five commercial banks were estimated at about US\$ 59 billion. Total non-performing loans increased from 5.7% at the end of 1997 to 9.1% at the end of March 1998 and are expected to peak at around 20% at the end of 1998, well below the 30% level reached during recession in the 1980s.

Conversion and transfer policies

Malaysia has a relatively open foreign exchange regime. Payments, including repatriation of capital and remittance of profits or dividends, are freely permitted and are transacted on a timely basis. All payments to other countries may be made in any foreign currency other than the currency of Israel, Serbia or Montenegro through authorized foreign exchange dealers. Non-residents are also allowed to open foreign currency and ringgit accounts freely. Resident exporters and approved Operational Headquarters are allowed to retain a maximum of US\$10 million in export proceeds in foreign currency accounts. A traveler may carry any amount of ringgit or any foreign currency when he leaves or arrives in Malaysia.

There is no indication that there are any discrepancies between Malaysia's stated exchange policy and its implementation.

Expropriation and compensation

The Embassy is unaware of any cases of uncompensated expropriation of foreign-held assets by the Malaysian Government. The Government's stated policy is that all investors, both foreign and domestic, are entitled to fair compensation in the event that their private property is required for public purposes. Should the investor and the Government disagree on the amount of compensation, the issue would be referred to the Malaysian judicial system, which has proved capable of enforcing property and contractual rights.

Dispute settlement

Malaysia is signatory to the U.N.-sponsored Convention on the Settlement of Investment Disputes. The domestic legal system is open and accessible. Past cases of foreign investment disputes, which have been rare, have consistently been handled satisfactorily by existing dispute settlement mechanisms. Many firms chose to include mandatory arbitration clauses in their contracts.

Two public cases have raised allegations of judicial impropriety. The "Ayer Molek" case in 1996, seemingly a simple shares transaction, eventually resulted in the Federal Court issuing a public rebuke to appellate judges. In July 1996, a Federal Court judge resigned over "poison-pen letters" alleging judicial misconduct and corruption. Should local administrative and judicial facilities fail to satisfy claimants, a dispute would be submitted to the International Center for Settlement of Investment Disputes (ICSID) under the aegis of the United Nations. The Government has set up the Kuala Lumpur Regional Centre for Arbitration to offer international arbitration, mediation and conciliation for trade disputes.

Political violence

Political violence is virtually unknown in Malaysia, other than the ethnic violence of 1969.

Bilateral investment agreements

Malaysia has bilateral investment guarantee agreements with 51 countries and country groupings: U.S.A. (1959), Germany (1960), Canada (1971), Netherlands (1972), France (1975), Switzerland (1978), Sweden (1979), Belgium and Luxembourg (1979), United Kingdom (1981), Sri Lanka (1982), Romania (1982), Norway (1984),

Austria (1985), Finland (1985), Organization of Islamic Conference (1987), Kuwait (1987), ASEAN (1987), Italy (1988), South Korea (1988), People's Republic of China (1988), United Arab Emirates (1991), Denmark (1992), Vietnam (1992), Papua New Guinea (1992), Chile (1992), Laos (1992), Taiwan (1993), Hungary (1993), Poland (1993) Indonesia (1994), Albania (1994), Zimbabwe (1994), Turkmenistan (1994), Namibia (1994), Cambodia (1994), Argentina (1994), Jordan (1994), Bangladesh (1994), Croatia (1994), Bosnia-Herzegovina (1994), Spain (1995), Pakistan (1995), Kyrgyz (1995), Mongolia (1995), Uruguay (1995), India (1995), Peru, Kazakhstan (1996), Malawi (1996), the Czech Republic (1996) and Egypt (1997).

Malaysia has a limited Investment Guarantee Agreement with the United States under the U.S. Overseas Private Investment Corporation (OPIC) program. Efforts to negotiate a more comprehensive Bilateral Investment Treaty still require resolution of several issues, the most important of which is differing interpretations of national treatment.

Malaysia has double taxation treaties with 47 countries: Singapore (1968, 1973), Japan (1970), Sweden (1970), Denmark (1970), Norway (1970), Sri Lanka (1972), United Kingdom (1973), Belgium (1973), Switzerland (1974), France (1975 and 1991), New Zealand (1976), Canada (1976), India (1976), Germany (1977), Poland (1977), Australia (1980), Thailand (1982), South Korea (1982), Philippines (1982), Pakistan (1982), Romania (1982), Bangladesh (1983), Italy (1984), Finland (1984), German Democratic Republic (1985), People's Republic of China (1985), Commonwealth of Independent States (1988), Netherlands (1988), U.S.A. (1989), Hungary (1989), Austria (1989), Yugoslavia (1989), Indonesia (1991), Mauritius (1992), Iran (1992), Papua New Guinea (1993) and Saudi Arabia (1993), Sudan (1993), Republic of Albania (1994), Zimbabwe (1994), Turkey (1994), Jordan (1994), Mongolia (1995), Vietnam (1995), Malta (1995), United Arab Emirates (1995), Fiji (1995), the Czech Republic (1996), Kuwait (1997) and Egypt (1997).

With the United States, Malaysia has a tax agreement limited to air and sea transportation. However, discussion about a comprehensive agreement continued in 1998.

OPIC and Malaysia

Since 1959, Malaysia has qualified for the U.S. Overseas Private Investment Corporation (OPIC) insurance programs. However, given Malaysia's political stability, attitude towards foreign investors and available dispute settlement mechanisms, few investors have sought OPIC insurance in Malaysia. As Malaysia begins to attract more small and medium-sized investors, there

may be greater potential for U.S. firms to take advantage of OPIC's direct loan program.

Foreign investors

The U.S. has consistently been a leading investor in Malaysia. According to the Malaysian Investment Development Authority, the U.S. was the largest foreign investor in the manufacturing sector with projects valued at US\$853 million in 1997. Japan was next with US\$770 million, followed by Germany's US\$644 million. The three countries made up more than half of total foreign manufacturing investments in Malaysia. (Note: manufacturing investment only; upstream oil and gas investments not included.)

U.S. firms with significant investment in Malaysia include: Exxon and Occidental Petroleum, which participate in upstream and downstream activities, Mobil, Caltex, Conoco, Union Carbide, Eastman Chemical and Amoco in downstream activities, all major semiconductor manufacturers (e.g. Motorola, Texas Instruments, Intel, National Semiconductor, Harris), a number of computer component makers (e.g. Seagate, Komag), the toymaker Mattel and the medical products manufacturer Baxter International. Virtually all the major Japanese consumer electronics firms (Sony, Fuji, Panasonic, Matsushita, Hitachi etc.) have facilities in Malaysia.

Malaysia encourages direct foreign investment particularly in export-oriented manufacturing and high-tech industries, but retains considerable discretionary authority over individual investments. Investments which are concentrated in the domestic market, use this authority to restrict foreign equity, normally at about 30%, and requires foreign firms to enter into joint ventures with local partners. Foreign companies have found difficulty to operate manufacturing facilities efficiently due to the difficulty to bring workers from abroad. Additionally, many foreign firms also face restrictions in the number of expatriate workers they are allowed to employ.

APPENDIX A: FOREIGN EQUITY GUIDELINES

General Policy for Manufacturing Investment

--No equity conditions are imposed on projects which export at least 80% of their output.

--For projects exporting from 51 to 79% of output, majority foreign ownership of up to 79% is permitted. This can be raised to 79% ownership under certain circumstances.

--For projects that export between 20 and 50% of output, 30-51%

foreign ownership is allowed.

--For projects exporting less than 20% of output, maximum foreign ownership is 30%.

Note: From January 1, 1998 through December 31, 2000, all manufacturing companies with export conditions can apply to sell up to 50% of their total output to the local market. Applications will be assessed by MITI on the following criteria: (a) for products with zero import duty, an automatic approval will be given; (b) for products with import duty, the evaluation will be based on (i) whether the products are available locally or (ii) if the domestic supply is inadequate. The relaxation of export conditions were put forth in an attempt to encourage local sourcing.

Policy on Malaysian Equity Distribution

Where foreign equity is less than 100%, local equity will be distributed as follows:

--For foreign projects without a local partner, if 70% or more of the equity is foreign-held, the balance is reserved for Bumiputeras. If less than 70% is foreign-held, 30% is reserved for Bumiputeras, and the rest for other Malaysians. If the equity reserved for Bumiputeras is not taken up, the Ministry of International Trade and Industry (MITI) will allocate the balance to other Malaysians.

--For foreign joint ventures with Bumiputeras, all local equity will be held by the Bumiputera partner. If he is unable to do so, MITI will allocate any unclaimed local equity to other Malaysians.

--For foreign joint ventures with non-Bumiputeras, the local partner will take at most 30% of the equity. Any other local equity will be held by a Bumiputera.

Policy on Equity for Non-Renewable Resources

For projects that involve the extraction or mining and processing of mineral ores, majority foreign equity participation of up to 100% is permitted. In determining the percentage, the following criteria will be taken into consideration:

--the level of investment, technology and risks involved in the project;

--the availability of Malaysian expertise in the areas of

exploration, mining and processing of the minerals concerned; and

--the degree of integration and level of value-added involved in the project.

APPENDIX B: EXPORT INCENTIVES

The principal incentives for the manufacturing sector are contained in the Promotion of Investments Act of 1986 and the Income Tax Act of 1967. These incentives apply to companies subject to Malaysia's 28% corporate income tax. Some of these incentives are also available for investments in agriculture, tourism, R&D and technical training.

Incentives for Manufacturers

--Pioneer Status. Initial entrant(s) in designated new industries can receive full or partial tax exemption for five to ten years depending on the type of products. Dividends to shareholders will also be tax exempt.

--Investment Tax Allowance (ITA). A write-off of up to 60% of capital expenditures incurred during the first five years of project commencement against 70% of income. Any unused balance can be carried forward. Not available to firms with Pioneer Status.

--Reinvestment Allowance. An allowance of 60% of capital expenditures to expand, modernize or diversify an existing facility.

--Export Credit Refinancing (ECR). This provides qualified exporters with below-market, short-term commercial credit for pre and post-shipment.

--Export Allowance. Five percent of the FOB value of export sales can be deducted from the pre-tax income of trading companies exporting Malaysian manufactures.

--Double Deduction of Export Credit Insurance. This is provided if the insurance company is approved by the Ministry of Finance.

--Double Deduction for Export Promotion. This is granted for certain qualifying expenditures (e.g. overseas advertising and export market research).

--Infrastructure Allowance (IA). An allowance of 100% is granted for capital expenditure on infrastructure such as reconstruction, extension or improvement of any permanent structure to set off against 85% of income. This is available until October 1998.

--Incentives for Research and Development. These include a five-year tax holiday and permission to carry tax-relief period losses forward to the taxable period.

--Incentives for Training. These consist of an IA for buildings used for training and a double deduction for approved training expenses.

--Customs Exemption for Raw Materials, Machinery. This is granted for export-oriented manufacturers which use raw materials or components that are not made locally of acceptable quality. It also applies to machinery directly used in production. Under certain circumstances, it may be granted for firms producing for the domestic market.

APPENDIX C: MULTIMEDIA SUPER CORRIDOR (MSC) INCENTIVES

Companies with MSC status are eligible for the following incentives:

--Pioneer status for 10 years or 100% investment tax allowance;

--No duty on multimedia equipment;

--A special guideline to regulate foreign currency transactions and loans;

--A special incentive for companies whose presence will attract others to establish their operations in the Multimedia Super Corridor;

--Small and medium-scale firms can apply for government funding for R&D in designated areas; and

--No restriction on recruitment of expatriates.

APPENDIX D: EXPATRIATE EMPLOYMENT

Applications for expatriate posts are submitted to MIDA at the same time as the manufacturing license application. The following are the Government guidelines on the employment and retention of expatriate personnel in Malaysia:

--A company with a paid-up capital of at least US\$2 million is automatically allowed five expatriate positions. More can be requested.

--For a company with paid-up capital of less than US\$2 million, expatriate positions may be permitted if the paid-up capital is

in the neighborhood of RM500,000 (US\$125,000). If allowed, expatriate executive posts may be retained for at most 10 years if a Malaysian citizen is being trained for the post. Non-executive expatriate posts can be retained for at most five years, again providing a Malaysian is being trained. The Malaysian Government may relax these conditions for certain high-priority industries.

--Intra-company transfers by expatriates already holding a work permit still require approval by the authorities.

--Work permits are valid for at most 10 years, although one-year permits are more common.

--Work permit holders are granted multiple-entry visas valid for the same duration of the work permit.

--Companies desiring additional expatriate posts as a result of expansion or product diversification or to renew existing posts must apply to the Standing Committee on Malaysianization of the Department of Immigration.

APPENDIX E: DEFINITION OF BUMIPUTERA-CONTROLLED PUBLICLY-LISTED COMPANY

--At least 35% of the equity or voting power is held by an identifiable Bumiputera group, company or institution and no other non-Bumiputera group holds more than 10% of the voting power, or in aggregate the identifiable non-Bumiputera group owns no more than 24%.

--The shareholding of the Bumiputera group is not associated directly or indirectly with any non-Bumiputera group.

--The Bumiputera group is the rightful owner of, and capable of exercising the voting power attached to, its shareholding free of any influence.

--At least 51% of the members of the board of directors including the chairman, who is to be nominated by the Bumiputera group, are Bumiputeras.

--The managing director/chief executive officer is Bumiputera.

--At least 51% of management, professional and supervisory staff is Bumiputera.

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CHAPTER VIII: TRADE AND PROJECT FINANCING

The government has taken a number of preemptive measures to strengthen Malaysia's banking system, which has come under increasing stress since the onset of the regional financial crisis in mid-1997. As of late 1997, the banking sector included 35 commercial banks, 39 finance companies, 13 merchant banks and 7 discount houses. Total banking system assets were US\$279 billion, and the banking system remains the largest financial intermediary in the country, accounting for almost 73% of total assets of the financial system. Three U.S. banks have operations in Malaysia: Bank of America, Citibank, and Chase Manhattan. Citibank operates branches in both Kuala Lumpur and Penang. Malaysia also has an offshore banking center on the island of Labuan where 51 offshore banks maintained offices as of mid-1997. Most Malaysian banks have correspondent relationships with banks in the United States. A list of major Malaysian commercial banks can be found in Chapter XI of this report.

Exports to Malaysia may be financed through letters of credit issued to importers by banks in Malaysia. Finance is readily available on the domestic market to Malaysian importers. There are no foreign exchange controls which would impede trade. The Malaysian Ringgit is freely convertible except for Israeli, Serbian and Montenegrin currency. All payments to non-residents for any purpose are freely permitted, subject only to the completion of a simple form for remittances of more than RM 10,000 (US\$2500). No permission is required from the Controller of the Currency for a company to maintain inter-company accounts with associate companies, branches, or other companies outside Malaysia.

In addition to the Malaysian banking sector, exports to Malaysia can be supported by the U.S. Export-Import Bank (EXIMBANK), which can provide direct or intermediary loans, loan guarantees to enable a foreign buyer to secure private credit, loan guarantees to a private creditor to provide working capital to an exporter, and insurance policies for exporters to eliminate both political and commercial risk of repayment by foreign purchasers.

Export financing is also available through the U.S. Small Business Administration, which provides regular business loans, a revolving export line of credit, joint guarantees with the EXIMBANK, investment company financing, long-term asset financing, and international trade loans to compete, export, and develop export markets. For exporters of agricultural products,

the U.S. Department of Agriculture Market Promotion Program has been used to promote export market development efforts in Malaysia.

While EX-IM and SBA financing has not been used extensively in the past, this is due to change as the financial crisis in Southeast Asia persists.

In the past, major infrastructure projects have been funded by a variety of means, including Malaysian government funds, the domestic capital markets, banks and investment funds like the Employee Provident Fund, international consortia, and supplier credits. In the case of the new Kuala Lumpur International Airport (KLIA), for example, the Japanese Government made available a long term soft loan of US\$600 million through the Overseas Economic Cooperation Fund. However, given the current credit crunch and depressed stock market, major projects are likely to be funded through alternative means in the future, e.g., foreign direct investment, various debt and/or equity instruments, asset sales and securitization, etc.

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<NREC>Malaysia09 Malaysia: Business Travel <A>=Malaysia

CHAPTER IX: BUSINESS TRAVEL

In general, business customs in Malaysia do not differ fundamentally from those in the United States. Frankness, openness, promptness, etc. are all valued traits in business negotiations and dealings. Visiting businesspeople should be aware of some religious and cultural sensitivities; for example, Malay Muslims may feel uncomfortable in business/social functions where alcohol is served. Many businesses and government agencies have working hours for a half-day on Saturday mornings.

U.S. business visitors to Malaysia do not require visas unless they are coming for the purpose of employment in the country. The typical entry-period for Americans is three months. Business visitors may be issued passes at the point of entry for the purpose of attending business meetings and conducting business negotiations in Malaysia. However, anyone who is to be employed in Malaysia, or to engage in work in Malaysia such as the overseeing of the installation of equipment on a project, must apply for a business or professional pass prior to arrival in Malaysia. English is widely spoken in Malaysia and is commonly used in business.

Malaysia is well served by a number of international airlines through Kuala Lumpur. Further international connections are less than an hour away in Singapore, with which there is a joint Malaysian Airlines/Singapore Airlines air shuttle service. Within the country, Malaysian Airlines provides frequent service to all major cities. The new Kuala Lumpur International Airport (KLIA), the first phase of which opened in late-June 1998, is the largest international airport in the region. KLIA, located 50 kilometers south of Kuala Lumpur, is capable of handling 25 million passengers and 1.2 million tons of cargo.

Kuala Lumpur and other major cities in Malaysia have world class hotel accommodations catering to both business visitors and international tourism. For longer stays in the country, the market for rental housing and apartments in the Kuala Lumpur area is large and not overly expensive by regional standards. Food in Malaysia includes the three local cultures -- Malay, Chinese, and Indian -- as well as restaurants specializing in U.S., Japanese, Korean, and European cuisine. Kuala Lumpur has several state-of-the-art medical facilities.

International telephone service from Malaysia is adequate, and more investment is being undertaken to keep up with the very rapid growth in demand. Telekom Malaysia, the national phone company, aims to upgrade Malaysia's telecom services to the level of developed countries by the year 2005. Periodic power outages in and around the country are not uncommon, although there have not been any major power outages since the nationwide blackout in 1996, which affected all of Peninsular Malaysia. KL has recently been experiencing acute water shortages due to a number of factors, including reduced rainfall, poor water catchment management policies, lack of federal oversight over water rights, and ineffective distribution. Pipelines are currently being built to carry additional water from nearby states to the Klang Valley. Most international hotels, however, have not been affected.

Malaysia has had a number of haze incidents in the recent past, most notably from September to November in 1997, during which the air pollutant index (API) periodically reached "hazardous" levels. The smoke haze is a result of burning forest and peat fires, set by plantation owners, developers and farmers to clear land in various parts of Malaysia and nearby Indonesia, and has in the past affected the country during its main dry season. Poor visibility as a result of the haze caused many flight delays and cancellations in 1998.

Malaysia has no restrictions on temporary entry of business-related materials, such as software, laptop computers, etc. The movement of exhibit materials for Malaysia-based trade shows are

typically handled by official freight-forwarding companies that are able to easily and quickly take care of customs and other required procedures. The electrical current is 220V. Mark-ups on products are negligible or not prohibitive, although bargaining in some retail outlets is not uncommon. Tipping for service is generally not practiced.

The following are commercial holidays for 1999:

January 1	New Year's Day
January 19-20 *	Hari Raya Puasa
February 1	Kuala Lumpur City Day
February 16 *	Chinese New Year
March 28 *	Hari Raya Haji
April 16 *	Awal Muharam
May 1	Labor Day
May 29 *	Wesak Day
June 6	King's Birthday
June 25 *	Prophet Muhamad's Birthday
August 31	National Day
November 7 *	Deepavali
December 25	Christmas

* The dates of these holidays cannot be determined with absolute accuracy at this time because they are based on a lunar calendar.

"Guide for Business Representatives" is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel (202) 512-1800; fax (202) 512-2250. Business travelers to Malaysia seeking appointments with U.S. Embassy Kuala Lumpur officials should contact the commercial section in advance. The commercial section can be reached by telephone at 60-3-248-9011 or fax at 60-3-248-1866 or e-mail at OKualaLu@cs.doc.gov.

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<NREC>MalaysiaA01 Malaysia: Country Data <A>=Malaysia

CHAPTER X: ECONOMIC AND TRADE STATISTICS

A. COUNTRY DATA

Population: 21.2 million (1996); 21.7 million (1997); 22.2 million (1998f)

Population Growth Rate: 2.3% per annum (Seventh Malaysia Plan, 1996-2000)

Religions: Islam (the official religion and that of all of the Malay population, about 60% of the national total); Buddhist, Confucian, Taoist (much of the Chinese population, about 30% of the national total); Hindu (much of the Indian population, about 10% of the national total); Christian (about 3%).

Government System: Constitutional monarchy with a parliamentary structure, with executive power vested in a Prime Minister. UMNO, the United Malays National Organization, has held dominant power since independence in 1957, in coalition with smaller Chinese and Indian parties.

Languages: Bahasa Malaysia is the national language. However, English is widely understood and used in business. Chinese and Indian languages are used within their respective communities.

Work Week: Government and most businesses:
Monday - Thursday: 8:00 a.m. - 12:45 p.m.
2:00 p.m. - 4:15 p.m.
Friday: 8:00 a.m. - 12:15 p.m.
2:45 p.m. - 4:15 p.m.
Saturday: 8:00 a.m. - 12:45 p.m.

In Kelantan, Terengganu, Johor, Perlis and Kedah States:
Saturday - Wednesday: 8:00 a.m. - 12:45 p.m.

Thursday: 2:00 p.m. - 4:15 p.m.
8:00 a.m. - 12:45 p.m.

U.S. Embassy:
Monday - Friday: 7:45 a.m. - 4:30 p.m.

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<NREC>MalaysiaA02 Malaysia: Domestic Economy <A>=Malaysia

B. DOMESTIC ECONOMY

	1996	1997	1998(F)
Real GDP: (US\$millions-1978 prices)	52,032	50,143	34,521
Real GDP Growth Rate (%)	8.6	7.8	-2.0
GDP per capita:(US\$)	4,703	4,552	3,067
Govt. spending as % of GDP	22.6	21.3	16.9
Inflation (%) (CPI)	3.5	2.7	7.5
Unemployment (%) (official)	2.5	2.7	3.5
Foreign Exchange Reserves (US\$millions)	27,695	21,700	N/A
Avg. Exchange Rate for 1 USED	2.51	2.81	4.0
Debt Service Ratio (%)	5.7	5.1	N/A
US economic/military assistance (International Military and Education Training)	0.6	0.7	0.7*

(Source: Bank Negara Annual Report 1997
Ministry of Finance Economic Report 1997/98
U.S. Department of Commerce
U.S. Embassy Estimates)

(F) Forecast by Ministry of Finance Economic Report 1997/98 and
Bank Negara Annual Report 1997 ; U.S. Embassy estimates

* An additional US\$100 million is expected to be approved

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<NREC>MalaysiaA03 Malaysia: Trade <A>=Malaysia

C. TRADE

OVERALL: (US \$ millions)

	1996	1997	1998F
Total Malaysian Exports (f.o.b.)	76,932*	78,785*	74,718***
Total Malaysian Imports (c.i.f.)	78,598*	78,642*	73,267***
U.S. Exports to Malaysia (FAS)	8,521**	10,828**	10,118***
U.S. Imports from Malaysia (c.i.f.)	18,331**	18,523**	7,517***

(Sources: *Official Malaysian Statistics; **USDOC data; ***U.S. Embassy estimates based on first quarter 1998 figures.)

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<NREC>MalaysiaA04 Malaysia: Investment Statistics <A>=Malaysia

D. INVESTMENT STATISTICS

TABLE ONE
SOURCES OF INVESTMENT IN MALAYSIA
(VALUE IN US\$ MILLION; SHARES IN PERCENT)

Country	1994	1995	1996	1997
U.S.	478	721	1,157	853
Japan	674	839	1,843	770
Germany	250	60	59	644
Taiwan	1,097	577	310	479
Singapore	406	404	1,906	456
Korea	156	242	258	241
U.K.	36	76	152	74
Switzerland	--	27	755	45
Australia	67	56	54	32
India	2	189	25	9
Hong Kong	36	70	5	8
France	19	39	6	1
Finland	--	2	65	1
Other	1,107	355	224	469
TOTAL	\$4,328	\$3,657	\$6,795	\$4,082

U.S. Share	11	19.7	16.9	20.1
Foreign	\$4,328	\$3,657	\$6,795	\$4,082
Domestic	\$4,432	\$4,690	\$6,853	\$5,107
Foreign Share	49	44	49	44

Source: Malaysian Industrial Development Authority

Exchange Rates: 1994 (USD=RM2.62), 1995 (USD=RM2.50), 1996 (USD=RM2.51), 1997 (USD=RM2.81).

Note: Manufacturing investment only, does not include the upstream oil and gas industry.

TABLE TWO
FOREIGN INVESTMENT BY SECTOR
(US\$ MILLION)

Sector	1994	1995	1996	1997
Food Mfg	\$ 77	\$ 48	\$ 51	\$ 62
Textiles	465	189	137	50
Paper, Print	32	39	626	170
Chemicals	429	730	87	260
Petroleum	90	157	1,000	1,495
Rubber Prod	23	31	23	32
Non-Metal	307	502	259	41
Basic Metal	150	190	244	249
Fab'd Metal	94	114	230	215
Electronics	1,842	949	3,681	1,023
Transport	95	185	133	100
Other	724	523	324	386
TOTAL	\$4,328	\$3,657	\$6,795	\$4,083

Source: Malaysian Industrial Development Authority

TABLE THREE
MALAYSIAN INVESTMENT ABROAD
(US\$ MILLION)

Country	1994	1995	1996	1997
U.S.	239	226	571	832
Singapore	861	969	845	658
Hong Kong	792	505	328	302
Indonesia	38	131	165	220
U.K.	193	302	540	200
Australia	245	241	216	175
France	4	7	40	157
China	83	132	204	112

Philippines	85	258	151	103
Other	601	635	1090	749
TOTAL	3247	3464	4559	3508

Investment data include equity investment, purchase of real estate abroad and extension of loans to non-residents.

Source: Cash BOP Reporting System, Bank Negara Malaysia

TABLE FOUR
FDI FLOW TO MALAYSIA
(US\$ BILLION)

	1994	1995	1996	1997
FDI**	4.35	5.52	5.74	6.83
% of GDP	6.1	6.5	5.8	6.9

** FDI data are not available for 1994, instead, net corporate inflows recorded in the Balance Of Payments Account are used.

Source: Bank Negara Annual Report 1994-1997

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<NREC>MalaysiaA05 Malaysia: U.S. and Country Contacts
<A>=Malaysia

CHAPTER XI: U.S. AND MALAYSIAN CONTACTS

1. U.S. Embassy Trade Personnel

Commercial Service
Mike Hand, Commercial Counselor
Stephen Alley, Commercial Attache
Local Address:
U.S. Embassy
376 Jalan Tun Razak, Kuala Lumpur
APO Postal Address from the US:
American Embassy, Kuala Lumpur
APO AP 96535-8152
Tel: (60)(3) 248-9011
Fax: (60)(3) 242-1866
email: mhand@cs.doc.gov
salley@cs.doc.gov

Foreign Agricultural Service
Agricultural Attache
Tel: (60)(3) 248-9011
Fax: (60)(3) 242-1866

Security Assistance Office
Mark Swaringen, Security Assistance Chief
Tel: (60)(3) 248-9011
Fax: (60)(3) 241-1080

Economic Section
Todd Kushner, Economic Officer
Chris Marut, Economic Officer
Patrick O'Reilly, Economic Officer
Tel: (60)(3) 248-9011
Fax: (60)(3) 242-2207
email: marutcj@state.gov, kushnerta@state.gov

U.S. - Asia Environmental Partnership Program (US-AEP)
Gordon Young, Director
Tel: (60)(3) 248-5316
Fax: (60)(3) 248-4035
email: gyoung@cs.doc.gov

2. American Chamber of Commerce

American - Malaysian Chamber of Commerce (AMCHAM)
Kristal Alley, Executive Director
11.03 AMODA, 22 Jalan Imbi
Kuala Lumpur 55100, Malaysia
Tel: (60)(3) 248-2407
Fax: (60)(3) 242-8540
email: exdir@amcham.po.my

3. Malaysian Government Agencies:

Ministry of International Trade and Industry (MITI)
YB Dato' Seri Rafidah Aziz, Minister
YB En. Kerk Choo Ting, Deputy Minister
Blk. 10, Government Offices Complex
Jalan Duta
50622 Kuala Lumpur
Tel: (60)(3) 254-0033
Fax: (60)(3) 255-0827

Ministry of Energy, Telecommunications and Posts

YB Datuk Leo Moggie Anak Irok, Minister
1st Floor, Wisma Damansara
Jalan Semantan
59668 Kuala Lumpur
Tel: (60)(3) 256-2222
Fax: (60)(3) 255-7901

Ministry of Science, Technology & Environment
YB Datuk Law Hieng Ding, Minister
14th Floor, Wisma Sime Darby
Jalan Raja Laut, Kuala Lumpur
Tel: (60)(3) 293-8955
Fax: (60)(3) 392-6006

Ministry of Works
YB Datuk Seri S. Samy Vellu, Minister
Jalan Sultan Salahuddin
50580 Kuala Lumpur
Tel: (60)(3) 291-9011
Fax: (60)(3) 292-1202

Malaysian Industrial Development Authority (MIDA)
YBhg Tan Sri Datuk Zainal Abidin Sulong, Chairman
YBhg Dato' Zainun Aishah bt Dato' Ahmad, Director General
Wisma Damansara, Jalan Semantan
P.O. Box 10618 50720 Kuala Lumpur
Tel: (60)(3) 255-3633
Fax: (60)(3) 255-7970

Malaysian Industrial Development Authority-United States Offices:
Consul-Investment
Consulate General of Malaysia
(Investment Section)
550, South Hope Street, Suite 400
Los Angeles, California 90071
United States of America
Tel: (213) 955-9183
Fax: (213) 955-9878

Director
Malaysian Industrial Development Authority
John Hancock Centre, Suite 3350
875, North Michigan Avenue
Chicago, Illinois 60611
Tel: (312) 787-4532
Fax: (312) 787-4769

Consul-Investment
Consulate General of Malaysia
(Investment Section)

313 East, 43rd Street
New York, New York 10017
Tel: (212) 687-2491
Fax: (212) 490-8450

4. Malaysian Trade Associations/Chambers of Commerce

Federation of Malaysian Manufacturers (FMM)
Mr. Tan Keok Yin
Chief Executive Officer
17th Floor, Wisma Sime Darby
Jalan Raja Laut, 50359 Kuala Lumpur
Tel: (60)(3) 293-1244
Fax: (60)(3) 293-5105

Malaysian International Chamber of Commerce & Industry
Peter J. L. Jenkins, Executive Director
Wisma Damansara
P.O. Box 10192
50706 Kuala Lumpur
Tel: (60)(3) 254-2205
Fax: (60)(3) 255-4946

National Chamber of Commerce and Industry
Zaid Ismail
Director, Government & Public Affairs
37, Jalan Kia Peng
50450 Kuala Lumpur, Malaysia
Tel: (60)(3) 241-9600
Fax: (60)(3) 241-3775

5. Malaysian Market Research Firms (partial list)

AC Nielsen
19/F Menara MPPJ
Jalan Tengah
46200 Petaling Jaya
Tel: (60)(3) 756-2311
Fax: (60)(3) 756-6490

Sofres FSA (Malaysia) Sdn Bhd
32nd Floor UBN Tower
Letter Box 63, 10
Jalan P. Ramlee
50250 Kuala Lumpur
Tel: (60)(3) 232-3611
Fax: (60)(3) 232-2719

Acorn Marketing & Research Consultants
6-4A 2-67A Jalan Batai
Damansara Heights
50490 Kuala Lumpur
Tel: (60)(3) 254-1688
Fax: (60)(3) 225-2129

In-Depth Research and Management Consultants
3017 3rd Floor
President House
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (60)(3) 242-3541
Fax: (60)(3) 242-3540

Research Pacific
28-C Lrg Mdn Tuanku
53000 Kuala Lumpur
Tel: (60)(3) 291-7315
Fax: (60)(3) 291-1753

Market Behavior (Malaysia) Sdn. Bhd.
21A-C Jalan 22/23
Damansara Jaya
47400 Petaling Jaya
Phone: (60)(3) 716-9008
Fax: (60)(3) 716-3208

6. Commercial Banks (partial list)

U.S. Banks

Citibank Berhad
Citibank Building
28 Medan Pasar
P.O. Box 10112
50050 Kuala Lumpur
Tel: (60)(3) 232-8585
Fax: (60)(3) 232-7932

Bank of America Malaysia Berhad
Wisma Goodhill
G.P.O. Box 10950

50730 Kuala Lumpur
Tel: (60)(3) 209-4201
Fax: (60)(3) 201-9087

Chase Manhattan Bank
Bangunan Pernas International
Kuala Lumpur
Tel: (60)(3) 270 4111
Fax: (60) (3) 270 4110

Malaysian Commercial Banks

Bank Bumiputra Malaysia Berhad
Menara Bumiputra, Jalan Melaka
50100 Kuala Lumpur
Tel: (60)(3) 298-1011
Fax: (60)(3) 298-7264

Bank of Commerce
6 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (60)(3) 293-3011
Fax: (60)(3) 298-6628

Malayan Banking Berhad (Maybank)
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (60)(3) 230-8833
Fax: (60)(3) 230-2611

Public Bank Berhad
Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel: (60)(3) 263-8888
Fax: (60)(3) 263-9917

RHB Bank
223 RNB Center
Jalan Tun Razak
50400 Kuala Lumpur
Tel: (60)(3) 987-8888
Fax: (60)(3) 987-9000

7. Washington-based US Government Contacts for Malaysia

U.S. Department of Commerce
Market Access and Compliance

Room 2306
14th & Constitution Ave., NW
Washington, D.C. 20230
Fax: (202) 482-3316

U.S. Department of Commerce
Alice Davenport, Regional Director
Room 1229
14th and Constitution Ave., NW
Washington, D.C. 20230
Fax: (202) 482-5179

Export Import Bank of the United States (EX-IM BANK)
811 Vermont Ave., NW
Washington, D.C. 20571
Leon White, Senior Business Development Officer for Southeast Asia
Tel: (202) 565-3923
Fax: (202) 565-3931

Overseas Private Investment Corporation (OPIC)
James Brache, Regional Manager, Asia
Tel: (202) 336-8585
Fax: (202) 408-9859

Trade Development Agency (TDA)
Geoff Jackson, Regional Director Asia
Tel: (703) 875-4357
Talaat Rahman, Country Manager, Malaysia
Tel: (703) 875-4357
Fax: (703) 875-4009

Multilateral Development Bank Office
Janet Thomas, Director
Tel: (202) 482-3399
Fax: (202) 273-0927

Trade Promotion Coordinating Committee
Trade Information Center
Tel: (800)-USA-TRADE
Fax: (202) 482-4473

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Tel: (202) 720-7420

8. U.S.-Based Multipliers Relevant for Malaysia

U.S. - ASEAN Council for Business and Technology
Ernest Bower, President
1400 L. St., NW, Suite 375
Washington, D.C. 20005-3509
Tel: (202) 289-1911
Fax: (202) 289-0519

Pacific Basin Economic Council (PBEC)
Ann R. Wise, Director General
PBEC U.S. Member Committee
1667 K Street NW
Suite 410
Washington, D.C. 20006
Tel: (202) 293-5730
Fax: (202) 289-1940

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<NREC>MalaysiaA06 Malaysia: Available Market Research
<A>=Malaysia

F. MARKET RESEARCH

A list of USDOC/Commercial Service Industry Sector Analysis (ISA) reports is noted below. A complete list of all market research reports available for Malaysia (i.e., prior to 1996) can be found on the NTDB.

Available ISAs from Fiscal Year 1997 and 1998:

Air Quality Monitoring and Control
Commercial Opportunities in the Multimedia Super Corridor
Commercial Opportunities in Telemedicine
Defense-Related Equipment Market
Distance Learning (Commercial Opportunities for Information Technology in Education)
Franchising
Healthcare Services
Industrial Process Control
Medical Equipment and Services
Paper and Paperboard
Opportunities in Higher Education and Training
Solid Waste Management
Water Filtration Products
Waste Water Treatment Equipment

Forthcoming ISAs for Fiscal Year 1999* :

Environmental Engineering and Consulting Services
E-Government Systems
Value-Added Telecommunications Products and Services
Technical Training Programs for the MSC
Safety and Security Products and Systems
Capital Equipment Parts and Accessories
Energy Efficient Technologies
Management Consulting Services (Finance/Banking/Telecom)

* subject to change

**Available and Forthcoming USDA/Foreign Agricultural Service
Commodity Reports and Market Briefs for Fiscal Year 1999:**

Cocoa Report
Grain and Feed Report
Oilseeds and Products Report
Sugar Report
Tobacco Report
Forest Products Report
Competitor Report
General Agriculture Situation Report
Overview of The Malaysia Market for Foodstuffs
Poultry Meat Products

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<NREC>MalaysiaA07 Malaysia: Trade Event Schedule <A>=Malaysia

G. TRADE EVENT SCHEDULE

U.S. Department of Commerce, Commercial Service:

Event: Multi-State New Products Catalog Show
Date: Sept 28-29,1998
Location: Kuala Lumpur

Event: High Tech Trade Mission
Date: September 7-10,1998
Location: Kuala Lumpur and Penang

Event: Food Processing and Packaging Trade Fair
Date: October, 1998
Location: Kuala Lumpur

Event: Electronic Government Exhibition

Date: November 3-6, 1998
Location: Kuala Lumpur

Event: American Business Women International
Date: March 1-2, 1999
Location: Kuala Lumpur

U.S. Department of Agriculture, Foreign Agricultural Service:

Event: Food Retail Seminar
Date: May 1999
Location: Kuala Lumpur

Event: In-store Promotions (2)
Date: July/September 1999
Location: To be determined

Event: Food & Hotel Malaysia '97 (FHM)
Date: September 22-25, 1999
Location: Kuala Lumpur

Note: Because trade event schedules may change,
firms should consult the Export Promotion
Calendar on the NTDB or contact the U.S.
Embassy Kuala Lumpur for the latest
information.

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